

TRAXION

LIFE IN MOTION

TNFD Risk Assessment

Corporate Sustainability Department

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1. Executive summary

1.1. Biodiversity in Mexico

and why it is critical to protect it

- Mexico is **one of the top 10 megadiverse countries** in the world.
- It hosts **more than 10% of the biodiversity** in the world.
- A **significant part of this biodiversity is exclusive** (endemic) to the country:

~50 – 60 % of the plants

+40 % of the fish, amphibians and reptiles

+30 % of mammals

~11 % of birds

- Yet, **an enormous amount of biodiversity has already been lost or is at critical risk of extinction:**

~50% of natural ecosystems have been lost

+2,600 species are at risk of extinction.



Mexico holds a significant responsibility and confronts major challenges in the sustainable management of its natural capital and biodiversity, **which presents both substantial risks and opportunities for businesses.**



1.2. Summary of findings

1. This report has been elaborated by TRAXION's Sustainability team, following the guidelines of TNFD, and applying the LEAP and ENCORE methodologies and tools*.
2. The **geographical overlap** between our main locations and the country's sensitive locations for biodiversity is **very limited**: out of our 25 main locations, only 1 is within a 2 km radius of a natural protected area.
3. However, **most of our main locations are in areas with high water stress** (as is 36% of Mexico's territory), so we will carefully monitor our water consumption in these areas.
4. Our dependency to nature is low to very low across all categories.
5. Our main potential impacts are on **Climate Change** (GHG emissions) and **Pollution** (non-GHG air pollutants, noise disturbances, solid waste).
6. Our main risks are **transition risks** related to market dynamics and technology.

7. Our main opportunities lie on **resource efficiency** (clean techs, circularity), **new products and services**, **changing market dynamics** (e.g. consumer demands), and **sustainable use of natural resources** (water and electricity).

Next steps

1. Involve internal and external stakeholders
2. Monitor the release of specific guidance for the Road Transportation industry
3. Expand and deepen the scope of analysis
4. Integrate the results with our operational, financial and risk management processes
5. Report on pending disclosures
6. Engage our value chain providers
7. Take action and set reduction targets

* Locate-Evaluate-Assess-Prepare (LEAP: <https://tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/>) and Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE: <https://encorenature.org/>)

1.3. TRAXION's commitment

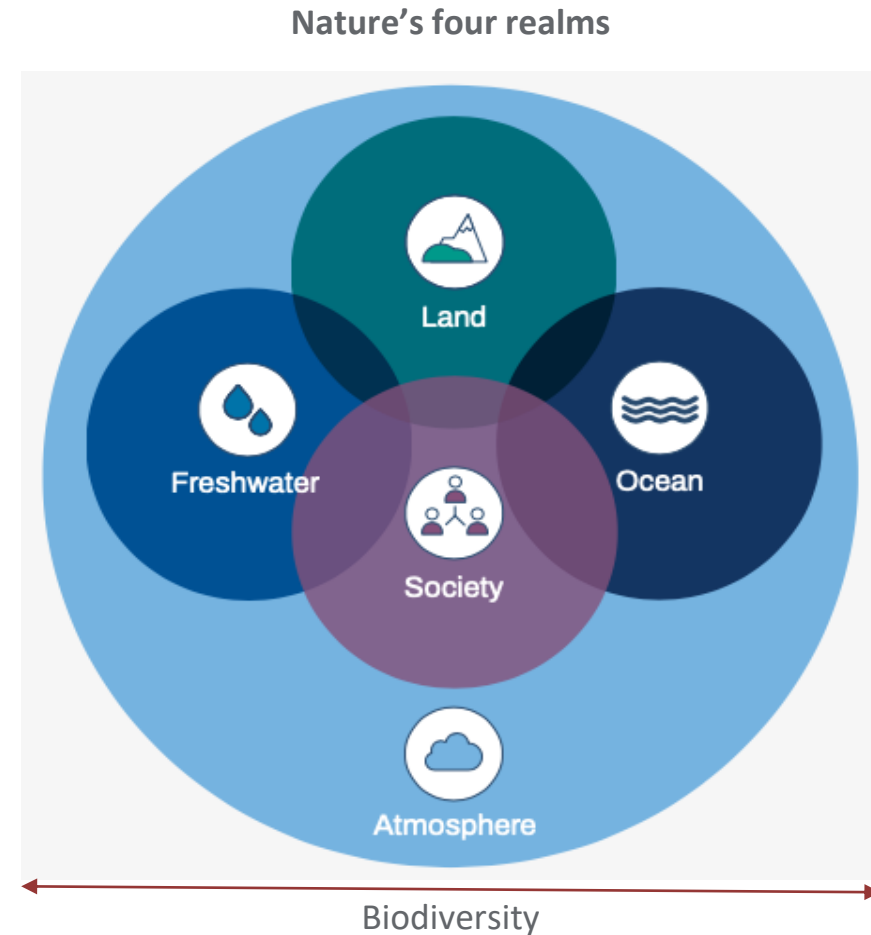
- As Mexico's leading mobility and logistics company, and as a company strongly committed with sustainability, **we are aware of our responsibility to assess and take action to reduce our environmental footprint**, not only in terms of climate change and GHG emissions, but also as far as natural ecosystems are concerned.
- We recognize that **nature is an unvaluable source of limited resources** that must be protected from harmful human activities, preserved for the generations to come, and, as much as possible, restored to reverse past damages.
- In line with the Kunming-Montreal Global Biodiversity Framework, we also acknowledge the **important roles and contributions of Indigenous Peoples and Local Communities** as custodians of biodiversity and as partners in its conservation, restoration and sustainable use.
- This report is **TRAXION's first step towards assessing its nature-related dependencies, impacts, risks and opportunities**. Our objective over the coming years is to gradually refine, expand and deepen the scope of analysis, as well as measure and report on the concrete actions taken.

2. Methodology and scope of analysis

2.1 What is TNFD?

A set of guidelines that help companies, funders, investors and other stakeholders **understand, measure and act** on their **dependencies, impacts, risks and opportunities related to nature**.

Biodiversity refers to the variability among living organisms across **nature's four realms** (land, ocean, freshwater, atmosphere).



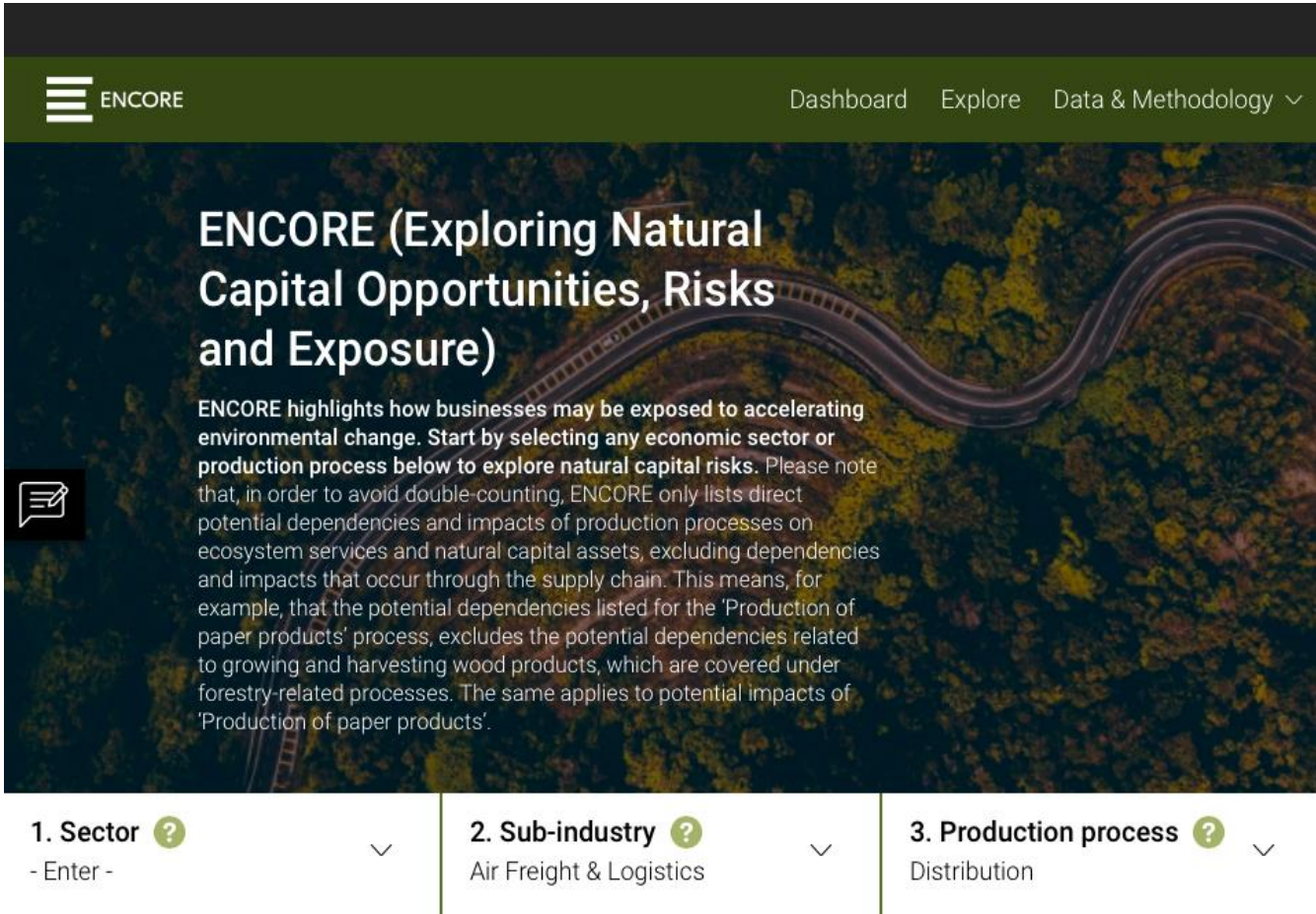
2.2. Main methodology

The TNFD LEAP approach



2.3. ENCORE

Tool used for the identification of dependencies and impacts



Note: For this tool, we selected the “Air Freight & Logistics” Sub-Industry (making some adjustments), which, according to the Global Industry Classification Standard, includes companies providing air freight transportation, **courier and logistics services**, including package and mail delivery and customs agents.

It excludes Cargo Ground Transportation and Passenger Ground Transportation companies, however these sub-industries are not yet included in ENCORE, so the Air Freight & Logistics sub-industry was the closest to our operations.

2.4. Sources of data for the identification of sensitive locations

	National	International
 Protected Natural Areas	National Commission of Protected Natural Areas (CONANP)	World Database on Protected Areas (WDPA)
 Biodiversity	National Commission for the Knowledge and Use of Biodiversity (CONABIO)	Key Biodiversity Areas (KBA)
 Water Stress Areas	National Water Commission (CONAGUA)	World Resources Institute (WRI)'s Aqueduct Water Risk Atlas
 Indigenous Peoples	Atlas of the Indigenous Peoples of Mexico, by the National Institute of Indigenous Peoples (INPI) and the National Institute of Indigenous Languages	

2.5. Scope of analysis

TNDF’s recommended disclosures

The scope of our TNFD risk assessment includes our own operations, adjacent areas to these operations, and an initial assessment of our upstream and downstream value chain.

In this report we address the recommendations circled in red

Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation’s governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation’s business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.
Recommended disclosures	Recommended disclosures	Recommended disclosures	Recommended disclosures
A. Describe the board’s oversight of nature-related dependencies, impacts, risks and opportunities. B. Describe management’s role in assessing and managing nature-related dependencies, impacts, risks and opportunities. C. Describe the organisation’s human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation’s assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term. B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation’s business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place. C. Describe the resilience of the organisation’s strategy to nature-related risks and opportunities, taking into consideration different scenarios. D. Disclose the locations of assets and/or activities in the organisation’s direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	A(i) Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations. A(ii) Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s). B. Describe the organisation’s processes for managing nature-related dependencies, impacts, risks and opportunities. C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation’s overall risk management processes.	A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process. B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature. C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

3. Governance

3.1. Board's oversight of nature-related dependencies, impacts, risks and opportunities

- After publication of this report, nature-related dependencies, impacts, risks and opportunities will become **part of the overall Sustainability Strategy**, complementing the work already done with regard to Climate-related Financial Disclosures.
- As such, it will be, together with other key Sustainability topics, presented to and monitored on a quarterly basis by:
 - **The Board of Directors' Corporate Practices and Sustainability Committee**, which evaluates the plans, objectives, goals, strategies, risks and activities related to the Group's ESG performance and reports it to the Board of Directors.
 - **TRAXION's Sustainability Committee**, which includes all corporate and business units' directors and functions as a forum to coordinate the execution of the Group's Sustainability Strategy as well as identify and analyze ESG risks and opportunities.



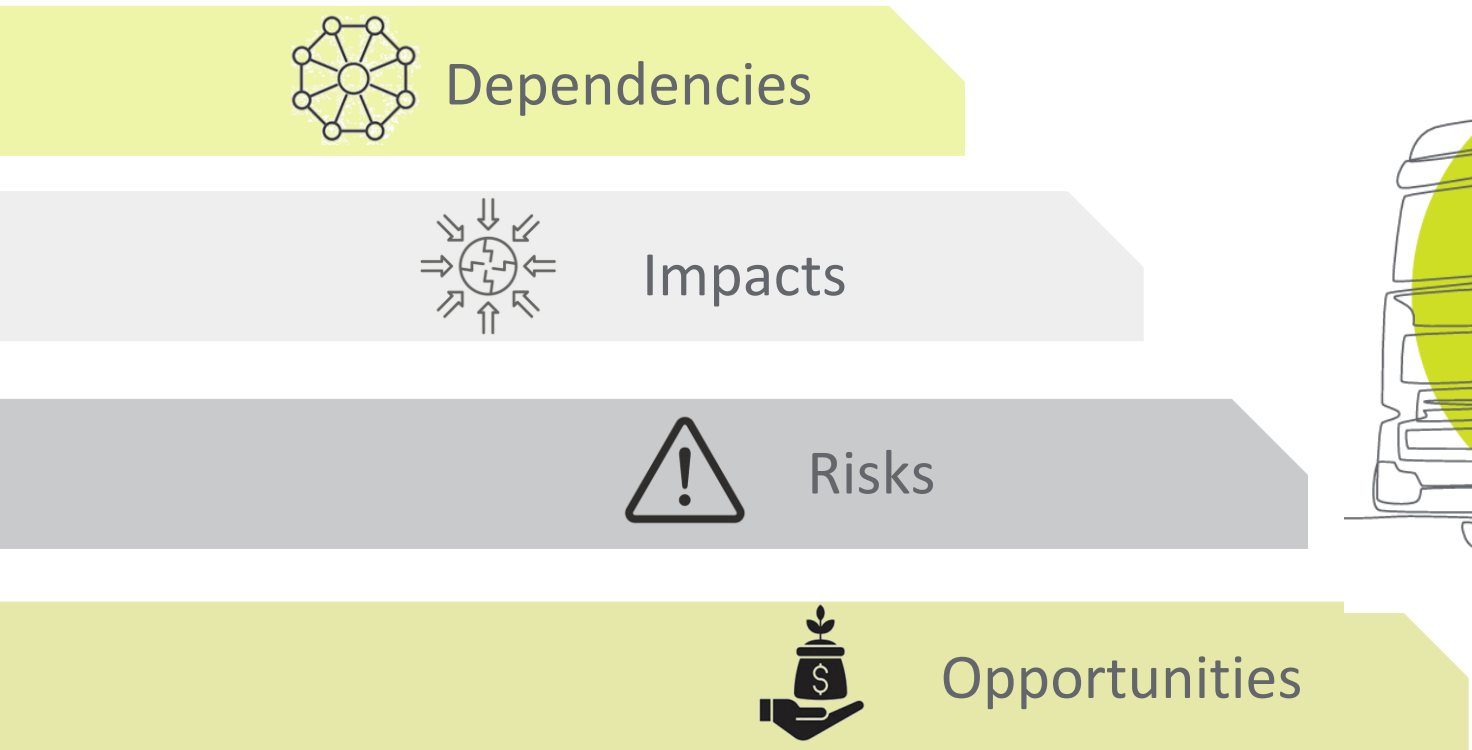
3.2. Management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities

Part of the Sustainability Strategy related to nature and biodiversity:

- Design and Management → Corporate Sustainability Department
- Approval → Executive President (member of the Board of Directors)
- Validation and Monitoring → Corporate Practices and Sustainability Committee (body of the Board of Directors) and Sustainability Committee
- Integration in risk management → Corporate Risk Area and Sustainability Department
- Implementation of initiatives → Sustainability Department and relevant Business Units

4. Strategy

Nature-related dependencies, impacts, risks and opportunities identified over the short, medium and long term



Definitions

Natural capital assets

Specific elements within nature that provide the goods and services that the economy depends on.



Atmosphere



Soils and sediments



Habitats



Species



Land geomorphology



Water



Minerals

Ecosystem Services

Links between nature and business. Each of these services represent a benefit that nature provides to enable or facilitate business production processes.

Ecosystem service dependencies

Identification of relevant ones for TRAXION

	Fibres and other materials	Global climate regulation	Micro-climate regulation	Mass stabilisation and erosion control	Flood and storm protection
Definition	Materials from plants, algae and animals are directly used or processed for a variety of purposes. This includes wood, timber, and fibres	Global climate regulation is provided by nature through the long-term storage of carbon dioxide in soils, vegetable biomass, and the oceans.	At a local level, vegetation can modify temperatures, humidity, and wind speeds	Vegetation on slopes prevents landslides, and mangroves, sea grass and macroalgae provide erosion protection of coasts and sediments	Flood and storm protection is provided by the sheltering, buffering and attenuating effects of natural and planted vegetation
Assets	 	    	   	  	
Description of Traxión's dependency	Dependency on wood and fibers for pallets, transportation packaging and uniforms [upstream - acquired goods]	Dependency on a stable global climate to limit extreme weather events that could affect road/railroad conditions and/or installations [own operations]	Dependency on a stable micro-climate for optimum fuel efficiency and work conditions [own operations]	Dependency on this ecosystem service to protect roads and railroads from landslides and erosion, especially in coastal and mountain areas [own operations]	Dependency on this ecosystem service to protect roads, railroads and warehouses from floods and storms [own operations]

Note on fossil fuels and infrastructure [upstream]: Fossil fuels (coal, oil, and natural gas), as opposed to biomass fuels, are considered as natural resources, not ecosystem services. The quantity and quality of fossil fuels are not dependent upon the living component of existing ecosystems and therefore are not benefits derived from ecosystems. Although fossil fuels come from organic material that was alive millions of years ago, this timeframe is not relevant for business or policy decisions and falls outside of system boundaries, reason why they are excluded from the analysis. With regards to the vehicles and infrastructure (e.g. roads, railroads, warehouses) required for TRAXION to operate, we decided that at this stage they should also remain outside of system boundaries as we have no control over them.

Source: ENCORE, complemented by TRAXION's own analysis

Materiality assessment methodology

Criteria for identifying potentially significant ecosystem services

Factor	Low	Medium	High
How significant is the loss of inputs to the company if the ecosystem service is disrupted? Relevant to dependency pathway	Limited loss of inputs: The company or operation can continue as is or with minor modifications	Moderate loss of inputs: The company or operation can continue only with important modifications e.g. slower production or use of substitutes	Severe loss of inputs: Disruption in company or operation sites prevents operation
How significant is the financial loss of impaired production/ services? Relevant to dependency pathway	Limited financial loss: Disruption to the company/operation does not have the potential to materially affect the company's profits	Moderate financial loss: Disruption to company or operations has the potential to materially affect the company's profits	Severe financial loss: There is a reasonable possibility that the disruption to the company or operations could affect the financial viability of the company
How significant is the impact of the loss of ecosystem services on society? Relevant to impact pathway	Limited impact: Impacts are temporary and minor	Moderate impact: Potential impacts may significantly constrain access to ecosystem services by other stakeholders	Severe impact: Reasonable possibility that societal access/ use of ecosystem services is prevented

Scoring	
Factor	Points
Low	1
Medium	2
High	3

Rating	
Score	Rating
Very low	3
Low	4-5
Medium	6
High	7-8
Very high	9

Source: TNFD

Ecosystem service dependencies

Materiality assessment of the relevant ones for TRAXION

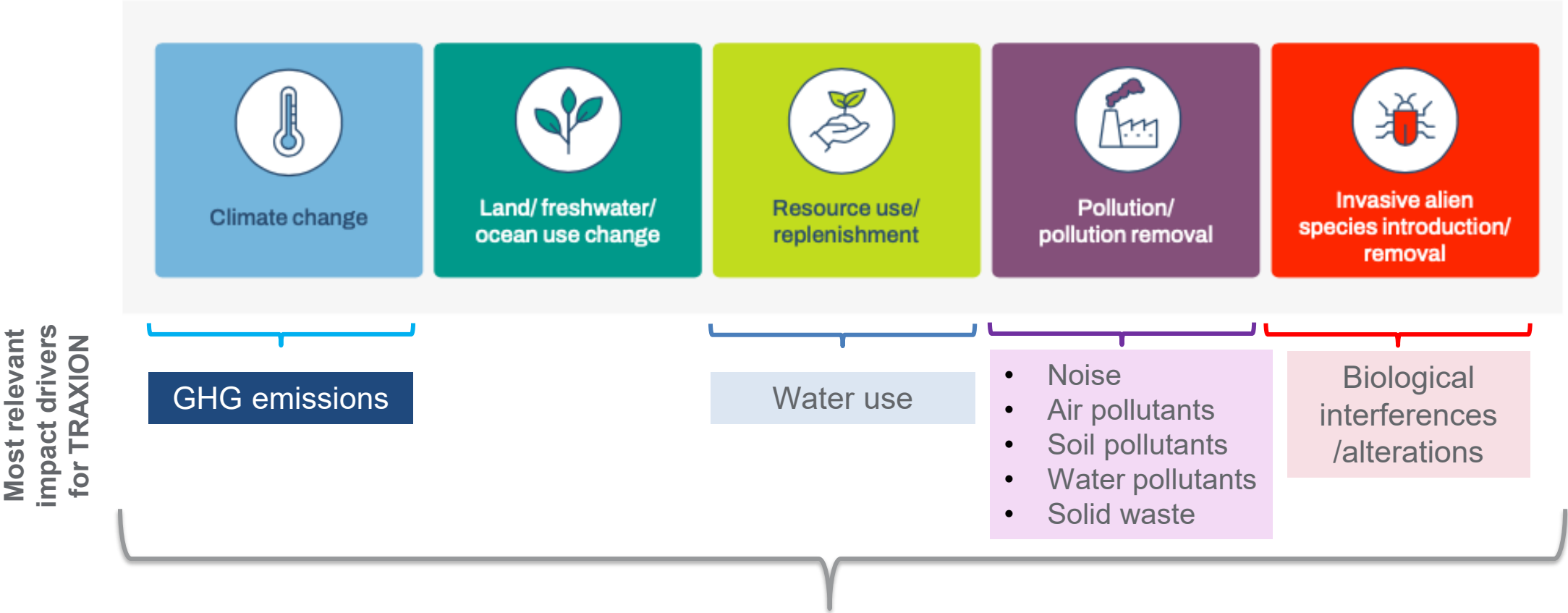
	Ecosystem service dependencies - Materiality Assessment				
	Fibres and other materials	Global climate regulation	Micro-climate regulation	Mass stabilisation and erosion control	Flood and storm protection
How significant is the loss of inputs to the company if the ecosystem service is disrupted?	Low	Low	Low	Low	Low
How significant is the financial loss of impaired production/services?	Low	Low	Low	Low	low
How significant is the impact of the loss of ecosystem services on society?	Low	High	Low	Medium	Medium
Score	3	5	3	4	4
Rating	Very low	Low	Very low	Low	Low

Very low or low dependency on nature

4.2. Impacts

Definitions

The 5 drivers of nature change



Impacts = changes (positive or negative) in the quantity or quality of natural capital (stocks of environmental assets) and flows of ecosystem services

Source: ENCORE, complemented by TRAXION’s own analysis

Drivers of nature change

Identification of TRAXION's potential impact on them

Natural capital impacts							
Climate change	Resource use	Pollution					Invasive alien species introduction
GHG emissions	Water use	Disturbances	Non-GHG air pollutants	Soil pollutants	Water pollutants	Solid waste	Biological interferences/alterations
Occurs from fuels and chemicals used during distribution. They include emissions of CO2 and other GHG. Additionally, harmful and polluting substances may be leached into the air in case of accidents [own operations]	Volume of groundwater or surface water consumed [own operations]	Noise pollution occurring from the transit of vehicles, especially in urban areas [own operations]	Occurs from fuels and chemicals used during distribution. Includes emissions of carbon monoxide (CO), hydro-carbons, nitrogen oxide (NOx), sulphur dioxide (SO2), particulates, and volatile organic compounds (VOCs) [own operations]	Harmful and polluting substances may be leached into the soil in case of accidents on the road or leaks in our installations [own operations]	Harmful and polluting substances may be leached into water streams in case of road accidents or leaks in our installations. This occurs most frequently in marine transportation but can also affect water bodies in terrestrial and freshwater environments [own operations]	Solid waste can be segmented by type (i.e., nonhazardous, hazardous), by specific material constituents (e.g., lead, plastic), or by disposal method (e.g., landfill, incineration, recycling, specialist processing) [downstream]	Vehicles used to distribute goods can unintentionally introduce non-native invasive species. This is particularly relevant for sea freight shipping through ballast water discharge [own operations]

Note: The potential impact of vehicle manufacturing and infrastructure construction (roads, railroads, warehouses) are outside of our scope (system boundaries) at this stage as we have no control over them.

Source: ENCORE, complemented by TRAXION's own analysis

Drivers of nature change -

Materiality assessment of TRAXION's potential impact on them

Impact drivers	GHG emissions	Water use	Noise disturbances	Non-GHG air pollutants	Soil pollutants	Water pollutants	Solid waste	Biological interferences
Frequency	High	High	High	High	Low	Low	High	Low
Timeframe	<1 year	<1 year	<1 year	<1 year	<1 year	<1 year	<1 year	<1 year
Severity	High	Low	Low	Medium	Low	Low	Medium	Medium
Score	9	5	7	8	5	5	8	6
Rating	Very high	Low	High	High	Low	Low	High	Medium

GHG (carbon) emissions are TRAXION's most material potential impact on nature followed by noise disturbances, air pollutants and solid waste

Note: The analysis evaluates **POTENTIAL** impact, while the real impact might occur to a lesser or higher degree, depending on the **ACTUAL** operations of TRAXION and the controls implemented to avoid the impacts.

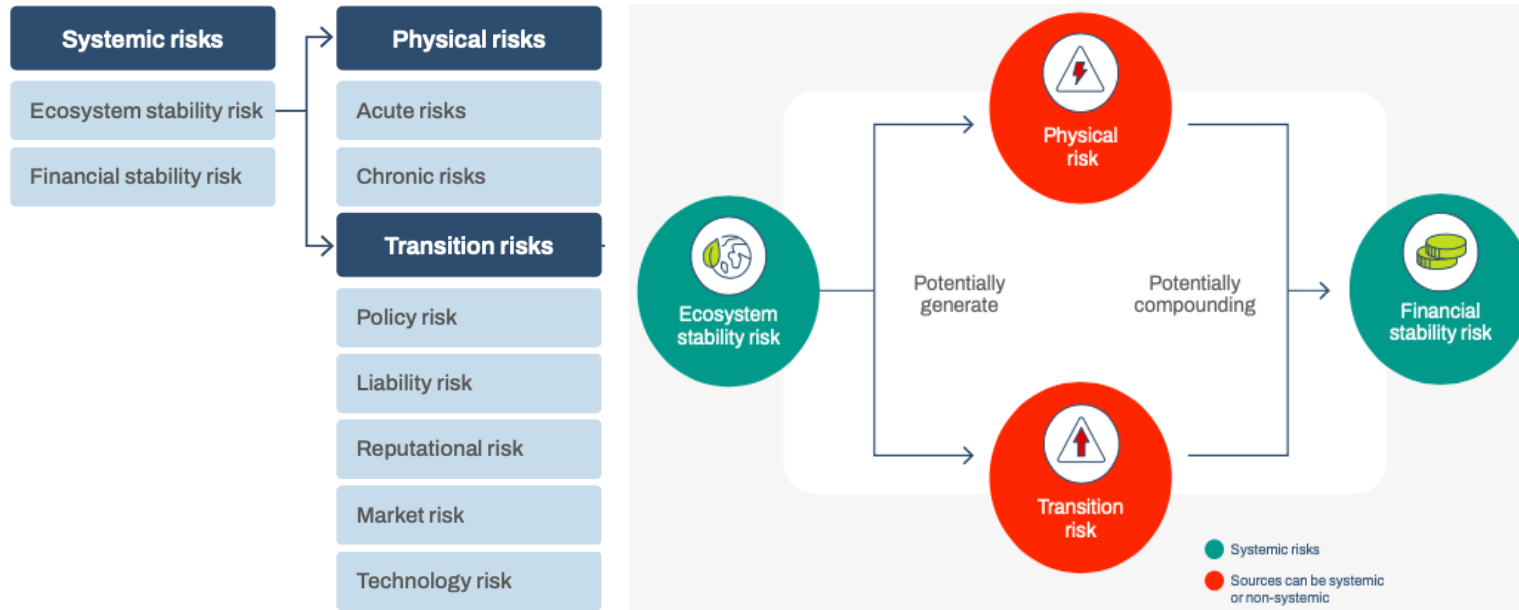
Variables definitions:

- **Frequency** refers to the expectation that the impact and its resulting effects on natural capital throughout our operations will occur continuously, regularly (i.e., several times per month/year) or sporadically
- **Timeframe** refers to the time it will take for the impact and its resulting effects on natural capital to occur after the start of operations (within one year, between 1-10 years, or over 10 years)
- **Severity** refers to the expectation that the impact and its resulting effects on natural capital will cause major, irreparable and long-lasting damage (high), significant and lasting damage (medium), or minor, reparable and temporary damage (low)

4.3. Risk

Definitions

The TNFD defines nature-related risks as **potential threats** posed to an organization that arise from its and society's dependencies and impacts on nature. There are **3 broad categories**:



Nature-related risk is a function of hazard, exposure and vulnerability



Source: TNFD

Nature-related risks identified for TRAXION

Type of risk	Sub-category	How could this risk affect Traxión?
Physical risks	Acute risks	Extreme weather events and erosion/floods can disrupt operations and damage installations Spills in the transportation or storage of hazardous materials with significant impacts on the environment can impact Traxión's reputation and have financial consequences
	Chronic risks	Climate change will intensify the frequency and severity of extreme weather events over time, disrupting operations and damaging installations more often
Transition risks	Policy	The transportation sector could be included in Mexico's Emissions Trading Scheme, though policies could be put in place to limit GHG and/or non-GHG air pollutants, and/or the number of States setting up carbon taxes could increase
	Market	> Price volatility and/or disturbances in fuel supply as a consequence of climatic factors can increase costs > Transition to an asset-light business model through outsourcing with low standards of care for the environment > Customer and/or investors' requirements to reduce Traxión's scope 1, 2 and 3 emissions and its nature-related impacts > Difficulty in obtaining financing due to not meeting environmental expectations of investors and other debt providers
	Technology	Limited availability and/or financial viability of such technologies in Mexico can make it hard to meet customers' requirements
	Reputational	The hypothetical reputation of Traxión as a company negatively affecting the environment can impact its market share and profitability
	Liability	Nature-related legal claims against Traxión could affect its reputation and carry financial consequences
Systemic risks	Ecosystems' stability	The main impact driver that Traxión contributes to, is climate change through its GHG emissions, which carries a risk of severe destabilisation if global temperatures rise above 1.5C above pre-industrial levels
	Financial stability	Because Traxión mostly provide essential services to the Mexican economy (i.e. mobility of goods and people), which are likely to remain even in the case of a financial systemic crisis, we consider this risk as limited

Nature-related risks – materiality assessment for TRAXION

Type of risk	Sub-category	Short description of risk	Materiality assessment					
			Timeframe	Hazard (probability)	Exposure	Vulnerability	Score	Rating
Physical risks	Acute risks	Extreme weather events and erosion/floods	Short	Medium	Low	Low	7	Medium
		Spills of hazardous materials	Short	Low	Low	Low	6	Low
	Chronic risks	More frequent and severe weather events	Long	High	Low	Low	6	Low
Transition risks	Policy	Tougher policies or carbon limits/taxes	Medium	Medium	Medium	Medium	8	Medium
	Market	Fuel supply issues, lack of control of asset-light business segment, requirements from customers, investors, debt providers	Short	High	Medium	Medium	10	High
	Technology	Limited availability and/or financial viability of clean techs in Mexico	Short	High	Medium	Medium	10	High
	Reputational	Hypothetical reputation of Traxión as a company negatively affecting the planet	Short	Medium	Medium	Medium	9	Medium
	Liability	Nature-related legal claims	Medium	Low	Low	Low	5	Low
Systemic risks	Ecosystems' stability	Destabilisation of natural ecosystems if global temperatures rise above 1.5C	Long	Medium	Low	Low	5	Low
	Financial stability	Destabilisation of the global or national financial system	Long	Low	Low	Low	4	Low

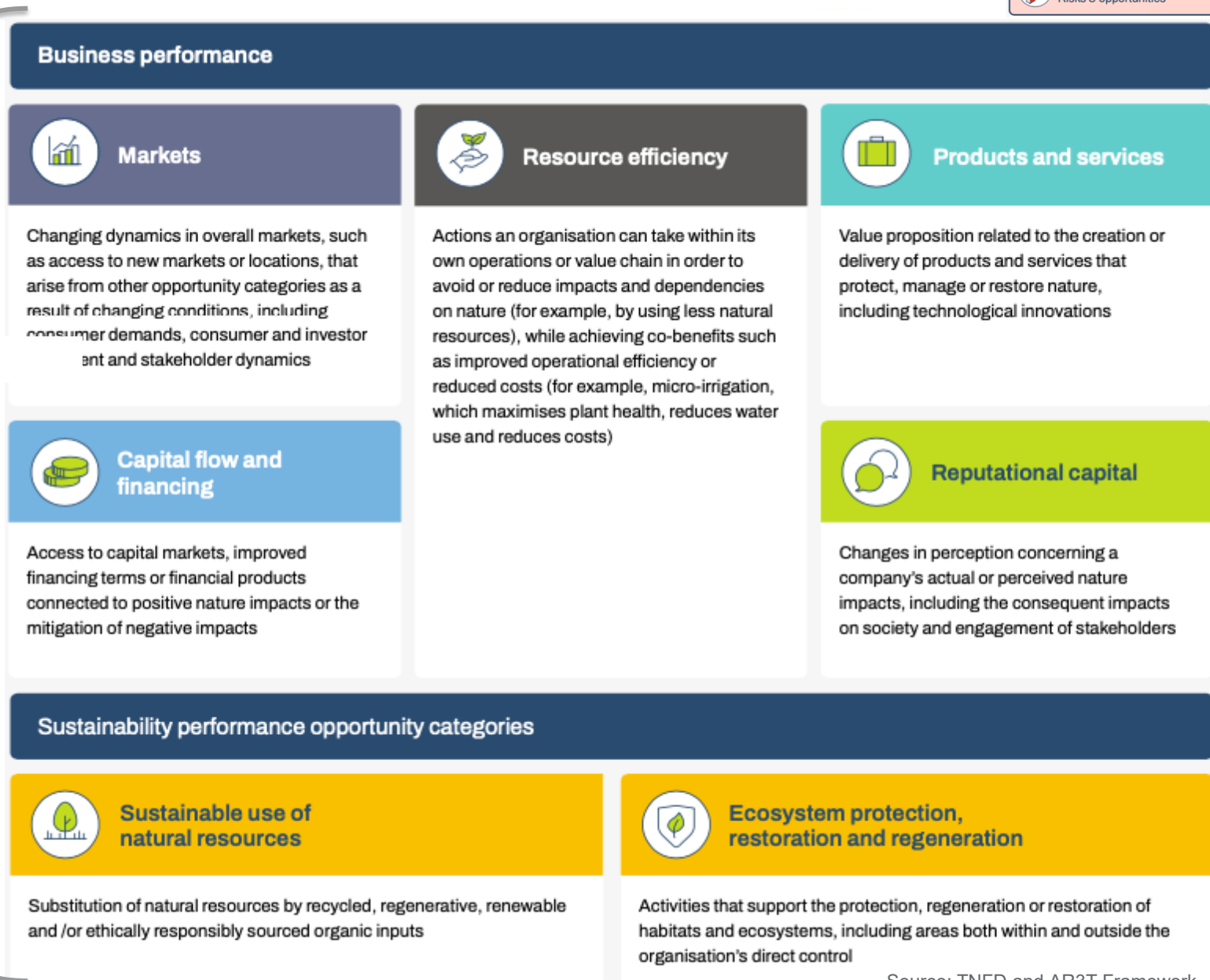
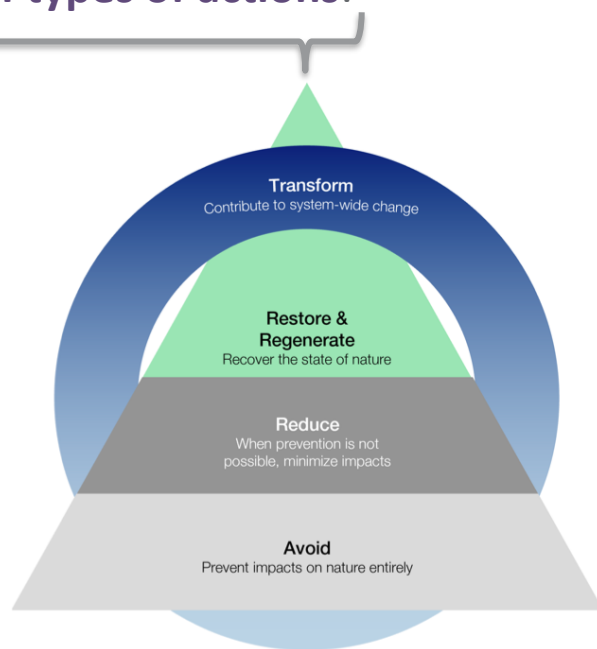
Market and technology transition are the most relevant nature-related risks for TRAXION

* Short-term is <3 years, medium-term between 3-10 years, and long-term >10 years

4.4. Opportunities

Definitions

The TNFD defines nature-related opportunities as activities that **create positive outcomes for organizations and nature through positive impacts or mitigation of negative impacts** on nature. There are **7 categories** and **4 types of actions**:



Source: TNFD and AR3T Framework

Nature-related opportunities identified for TRAXION (1/2)

Sub-category	Description of the opportunity for Traxión
 Resource efficiency	The transition to clean technologies and the substitution of packaging material with sustainable/reusable alternatives could reduce procurement, maintenance and fuel costs and lower Traxión's dependency on nature
 Products and services	The new railroad transportation services that Traxión is now offering thanks to its acquisition of V-Modal is one step further towards the protection of nature, as is the offering made to clients to transition to low- or zero-emission units such as battery-electric vehicles. In addition, Traxión could provide customers with innovative emissions offsetting
 Markets	The transition to clean technologies and the implementation of circularity initiatives could help Traxión's customers meet their own Scope 3 emission targets and therefore consolidate or increase Traxión's market share. It could also help increase business relationships with California, which has very strict environmental requirements
 Capital flow and financing	Mexico's Ministry of Finance and Public Credit launched in March 2023 the “Sustainable Taxonomy of Mexico”, a public financial policy tool that aims to encourage investment in economic activities that reduce social gaps and protect the environment (across six economic sectors, including Transportation), so the more Traxión aligns its actions to the taxonomy, the higher the probability of accessing financing

Nature-related opportunities identified for TRAXION (2/2)

Sub-category	Description of the opportunity for Traxión
 Reputational capital	By proactively engaging in activities that protect nature and mitigate negative impacts beyond mere legal requirements (e.g. clean technologies, circularity, sustainable procurement), Traxión can gain reputational capital with its internal and external stakeholders, as well as prospective clients, which could result in higher market share and profits, and higher staff retention
 Ecosystem protection, restoration and regeneration	Through Fundación Traxión's corporate volunteering program "Voluntarios en Axión", we could prioritize the restoration of particularly damaged habitats and ecosystems By strengthening its waste management strategy, in particular with regards to waste tires, Traxión could protect ecosystems while generating a new income stream through the sale of by-products obtained via shredding and/or pyrolysis
 Sustainable use of natural resources	Traxión could find ways to reduce its water consumption in water stress areas, and scale up its solar panels installation on warehouses and yards, thus reducing water and electricity costs

There are many opportunities for TRAXION to reduce its impact on nature while gaining business benefits (such as cost savings, revenue growth, market positioning, access to new financing, etc.)

Prioritization of
nature-related
opportunities
identified for
TRAXION

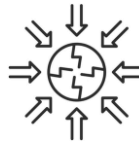
Our main opportunities lie on **resource efficiency** (clean tech, circularity), **new products and services**, **changing market dynamics** (e.g. consumer demands), and **sustainable use of natural resources** (water and electricity)

Sub-category	Short description	Timeframe	Type of action		Priority
 Resource efficiency	Transition to clean techs and substitution of packaging material	Short-medium	Mitigation	Reduce	High
 Products and services	Railroad transportation, low-emission vehicles, carbon offsetting schemes	Short	Mitigation	Reduce	High
 Markets	Gain of market shares by helping customers meet their carbon emissions and other nature-related targets	Short-medium	Mitigation	Reduce	High
 Capital flow and financing	Access to financing for projects aligned with Mexico's new Sustainable Taxonomy	Medium	Mitigation	Reduce	Medium
 Reputational capital	Nature-related action can result in higher market share, profits, and staff retention	Short	Mitigation	Reduce	Medium
 Ecosystem protection, restoration and regeneration	Restoration of damaged ecosystems through corporate volunteering programs	Medium	Positive	Restore	Medium
	Waste management strategy, in particular sale of waste tires' by-products	Short	Mitigation	Reduce	High
 Sustainable use of natural resources	Reduced water consumption and increased solar panels, leading to less utility costs	Short	Mitigation	Reduce	High

4.5. Effect nature-related dependencies, impacts, risks and opportunities have had on TRAXION's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place



- **Effects of dependencies:** none as of today



- **Effects of impacts:** Impact mitigation strategy already in place for the most material one (GHG emissions). Others currently being monitored, including ESG evaluation across our value chain and first measurement of our non-GHG emissions. Soil pollution and solid waste mitigated through rigorous protocols and strict application of legal requirements regarding waste disposal.



- **Risks that have materialized:**
 - Acute physical risks: Storms in Mexico and the USA have affected some installations and operations with relatively low operational and financial impact. No significant spills have occurred, only micro spills in our installations, which were detected and controlled.
 - Market transition risks: Some customers and investors already requesting emissions reduction initiatives and/or targets but not yet related to nature and biodiversity
 - Other risks have not materialized as of today



- **Opportunities grasped:** Resource efficiency => TRAXION is already engaged in the transition to clean technologies and the substitution of packaging material with sustainable/reusable alternatives

4.6. Identification of material locations

4.6.1. Identification of material locations (direct operations)

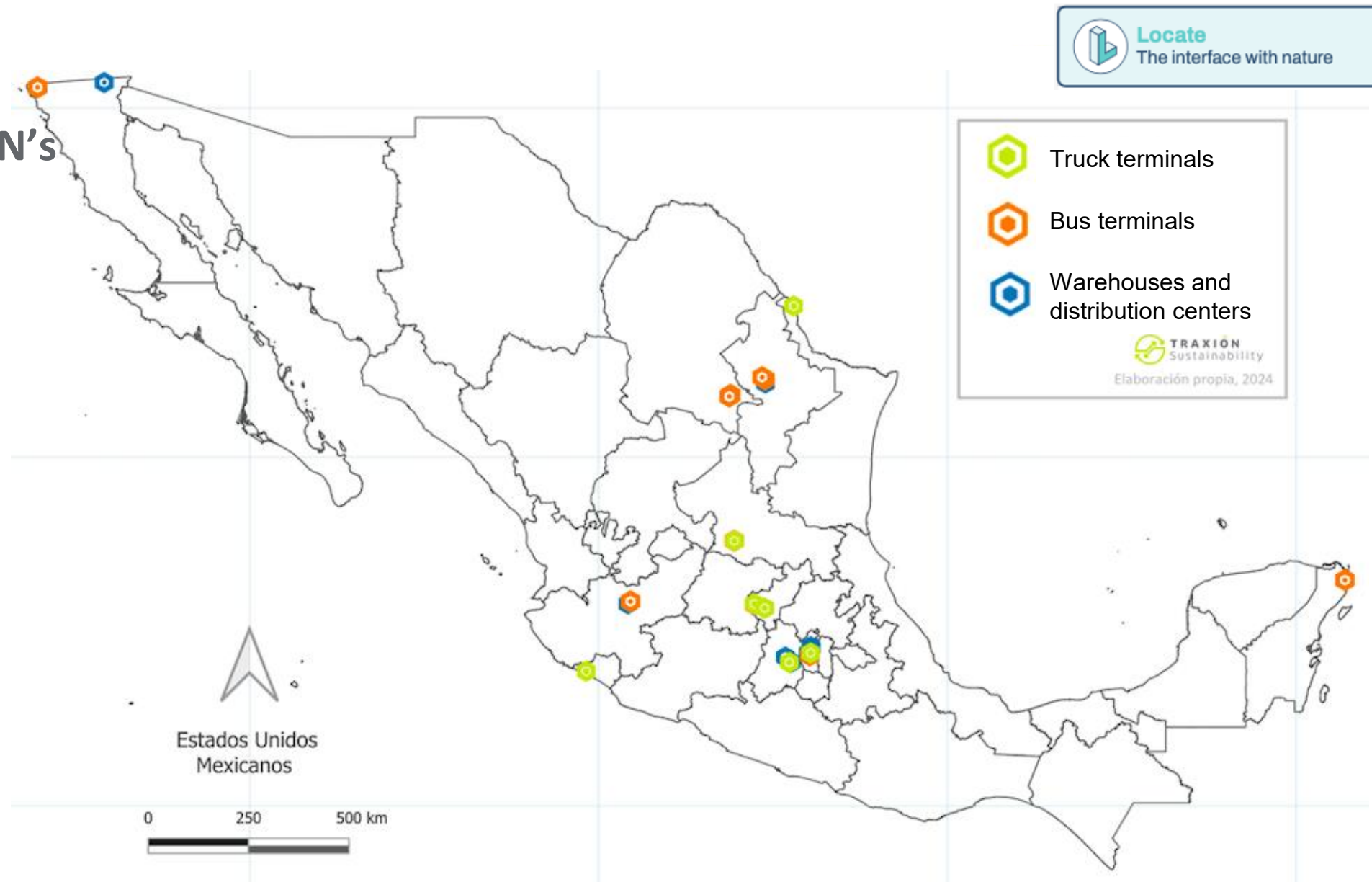
For this report we considered our **3 most relevant business segments**.* For each one of them, we picked for analysis the top 7 to 10 in terms of size and/or revenue, for a total of **25 locations**

* Due to lack of precise geographical data, our terrestrial routes and railroad operations have been excluded from the analysis and will be addressed in future evaluations

Note: Truck and bus terminals may include office space and maintenance workshop.

Business segment	Type of facility	Business unit	City, State
Logistics	Distribution Center	Redpack	Monterrey, NL
			Tlaquepaque, JAL
			Mexico City
		Medistik	Toluca, EdoMex
	Wharehouse	Grupo SID	Calamanda, QRO
			Cra. Toluca-Atla., EdoMex
			Tultepec/Coacalco,
Mexicali, BC			
Cargo mobility	Truck terminal	AFN / Egoba	Nuevo Laredo, TAMP
		AFN	Manzanillo, COL
		El Bisonte	San Luis Potosí, SLP
		Egoba Seco	Querétaro, QRO
		Egoba Refri / Corporativo Grupo SID	Calamanda, QRO
		AFN	Toluca, EdoMex
		MyM	Ticomán, CDMX
People mobility	Bus terminal	SETTEPI	Monterrey, NL
		Lipu	Monterrey, NL
		UTEP	San Luis Potosí, SLP
		Lipu	Guadalajara, JAL
		UTEP/Lipu	Querétaro, QRO
		UTEP	Valle de México
		SETTEPI	Saltillo, COAH
		Lipu	Saltillo, COAH
		SETTEPI	Tijuana, BC
		Lipu	Cancún, QROO

Mapping of TRAXION's 25 most material locations



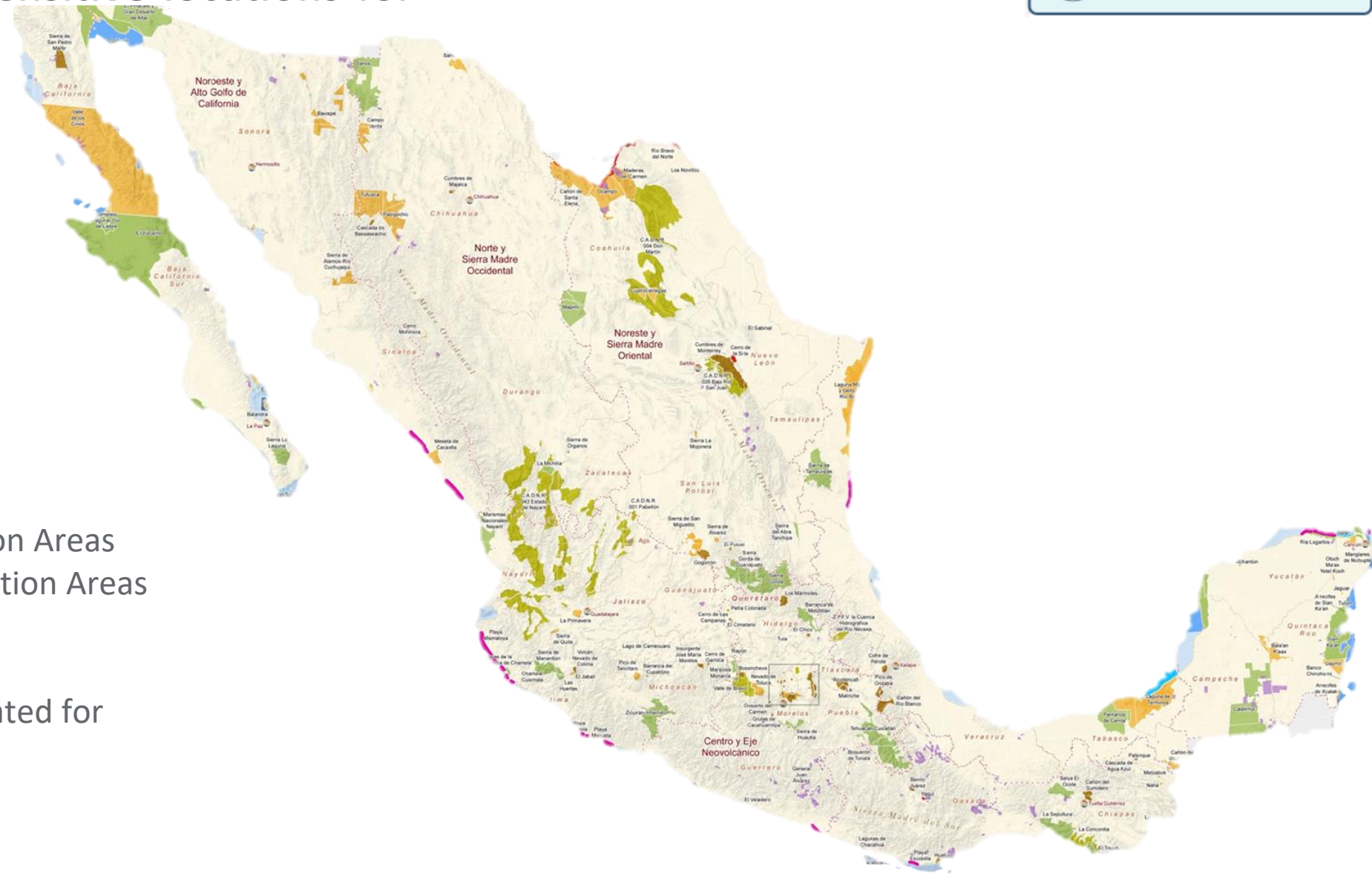
Note: some dots may represent more than one location

4.6.2. Identification of sensitive locations for nature and biodiversity

Protected Natural Areas

218 terrestrial areas divided between:

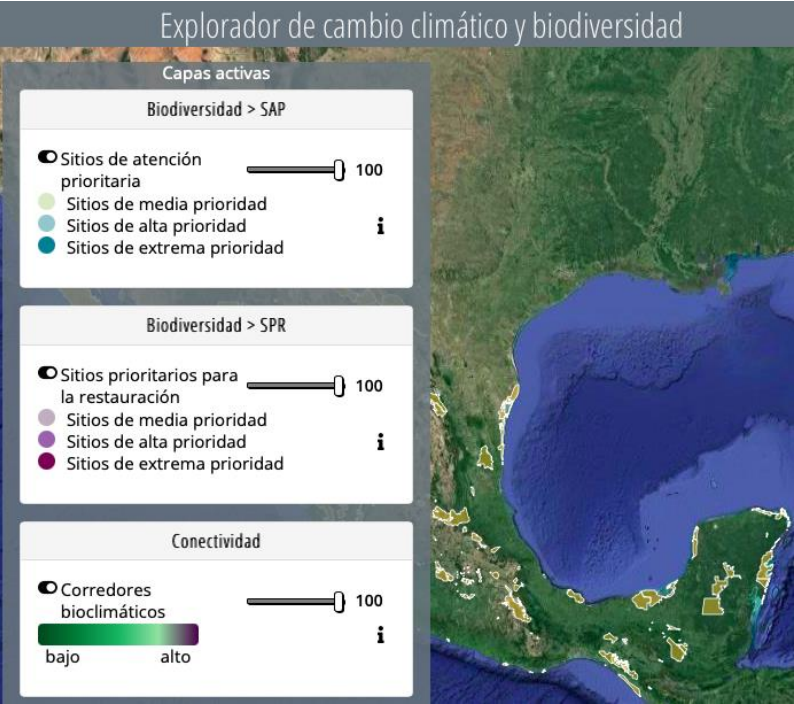
- Biosphere Reserves
- National Parks
- Flora and Fauna Protection Areas
- Natural Resources Protection Areas
- Natural Monuments
- Sanctuaries
- Areas Voluntarily Designated for Conservation



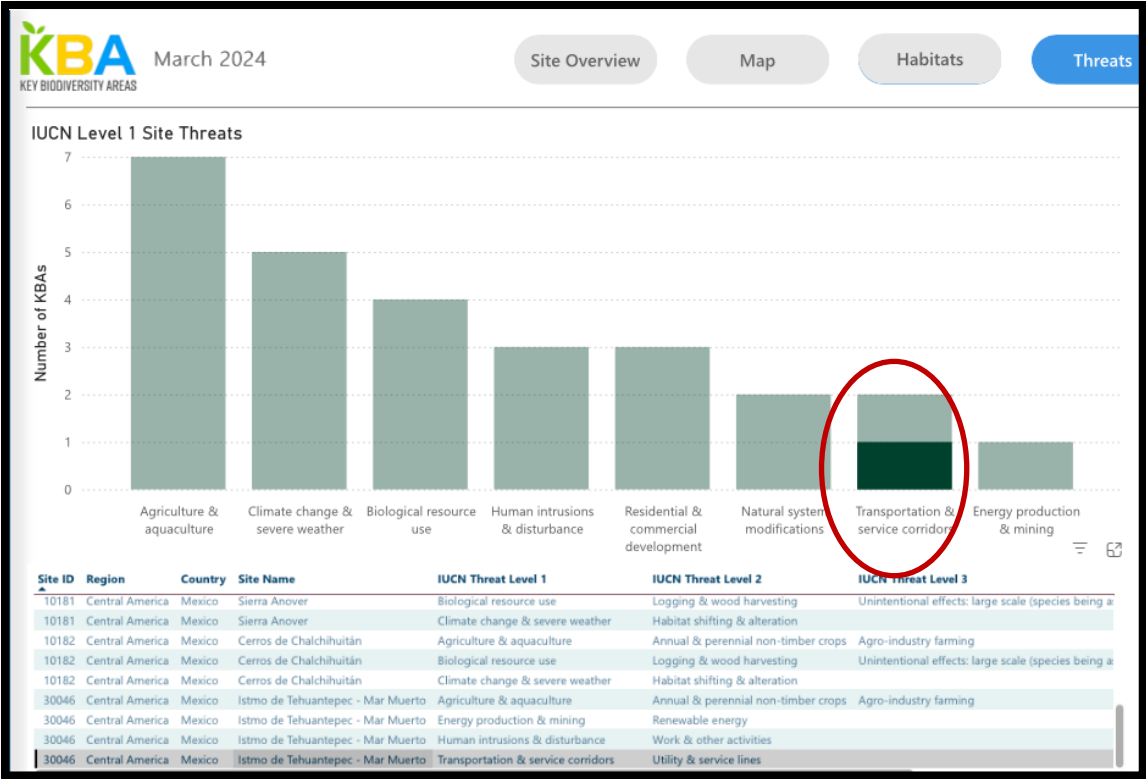
Source: CONANP

Biodiversity

We first consulted Mexico’s **National Commission for the Knowledge and Use of Biodiversity (CONABIO)** and its “climate change and biodiversity exploration tool” and “priority land and hydrologic regions”, however, because the map layers were not available for download, it was not possible at this stage to overlap them with our material locations.



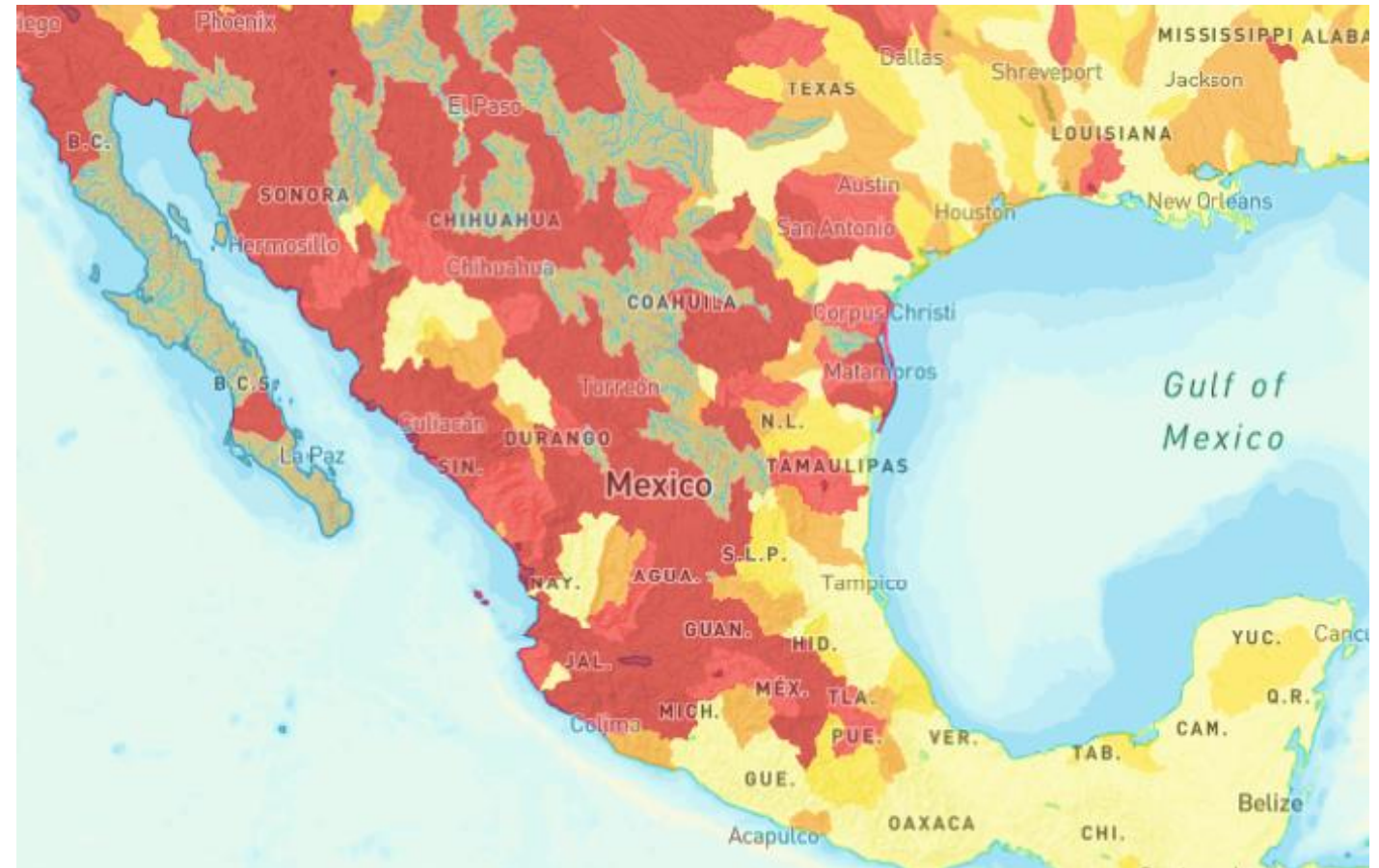
We then explored data from **Key Biodiversity Areas**, a partnership of 13 global conservation organizations aimed at mapping sites of particular importance to the planet’s health and biodiversity (covering 8% of the land surface). According to KBA, the transportation industry in Mexico is a potential threat for two areas (**Texcoco Lake, and Isthmus of Tehuantepec**), none of which are nearby our operations (our nearest operations are over 12 km away from the Texcoco Lake).



Water Stress Areas

We consulted Mexico's **National Water Commission (CONAGUA)** "Drought Monitoring Tool", updated twice a month, and "Water Vulnerability Atlas", as well as the **World Resources Institute (WRI)**'s **Aqueduct Water Risk Atlas**, which is the one we used in this report because of its user-friendliness and most recent data set (2023).

According to WRI, Mexico is on top of the list of countries facing high water stress, very close to the "extremely high water stress" threshold, as **36%** of its territory faces high or extremely high water stress.*



Source: WRI

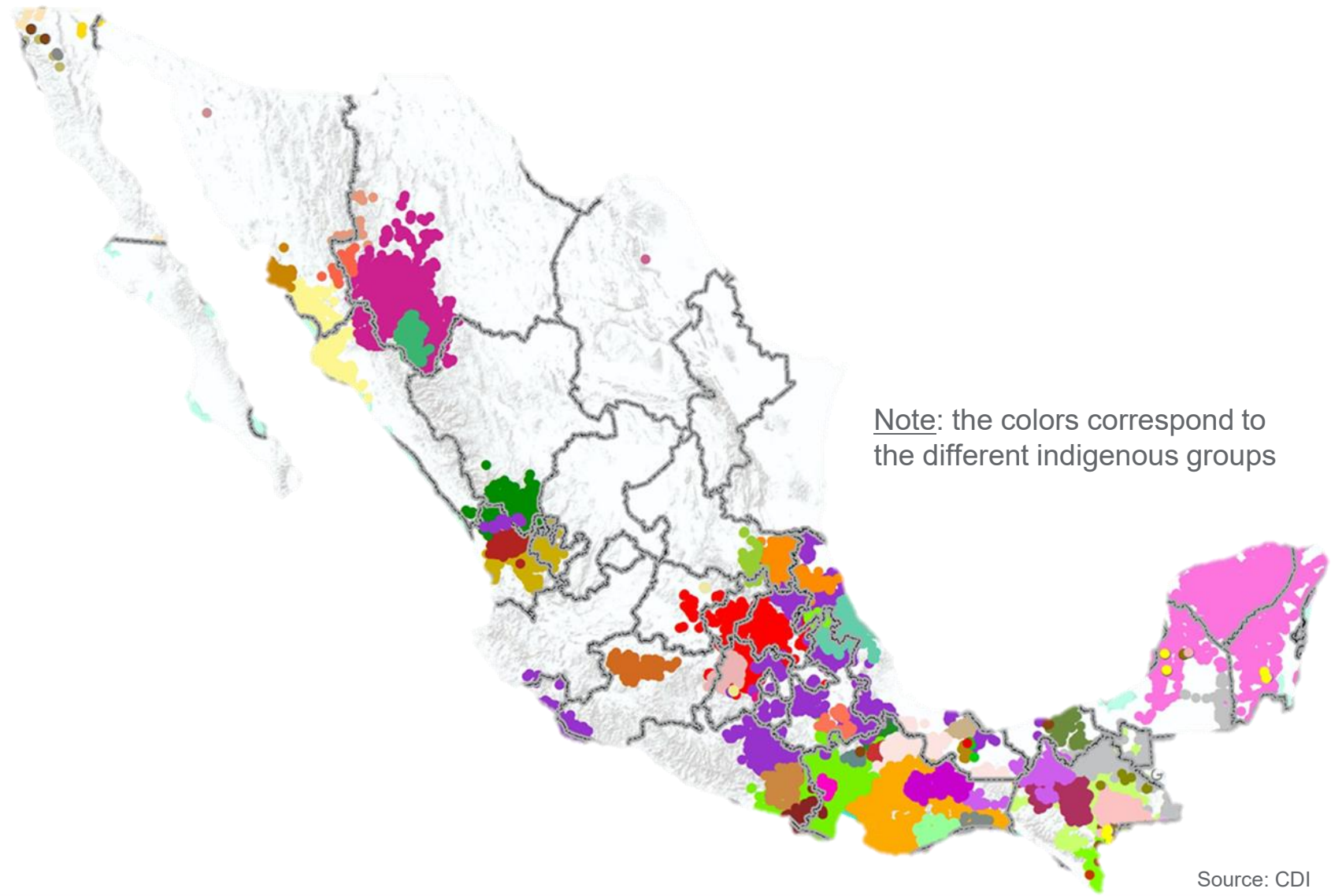
* Water stress is measured as the ratio of total water demand from domestic, industrial, irrigation and livestock uses, to available renewable surface and groundwater supplies. Countries facing "extremely high water stress" use over 80% of their renewable water supply, with short-term droughts putting them in danger of running out of water.

Indigenous People

According to Mexico's National Institute of Statistic and Geography, there are between 11 and 23 million indigenous people in the country, from close to 70 different groups.

To map their presence across the country, we used the **Atlas of the Indigenous Peoples of Mexico**, developed by the National Institute of Indigenous Peoples (INPI) and the National Institute of Indigenous Languages.

However, because the map layers were not available for download and the INPI did not answer our request, it was not possible at this stage to overlap them with our material locations.

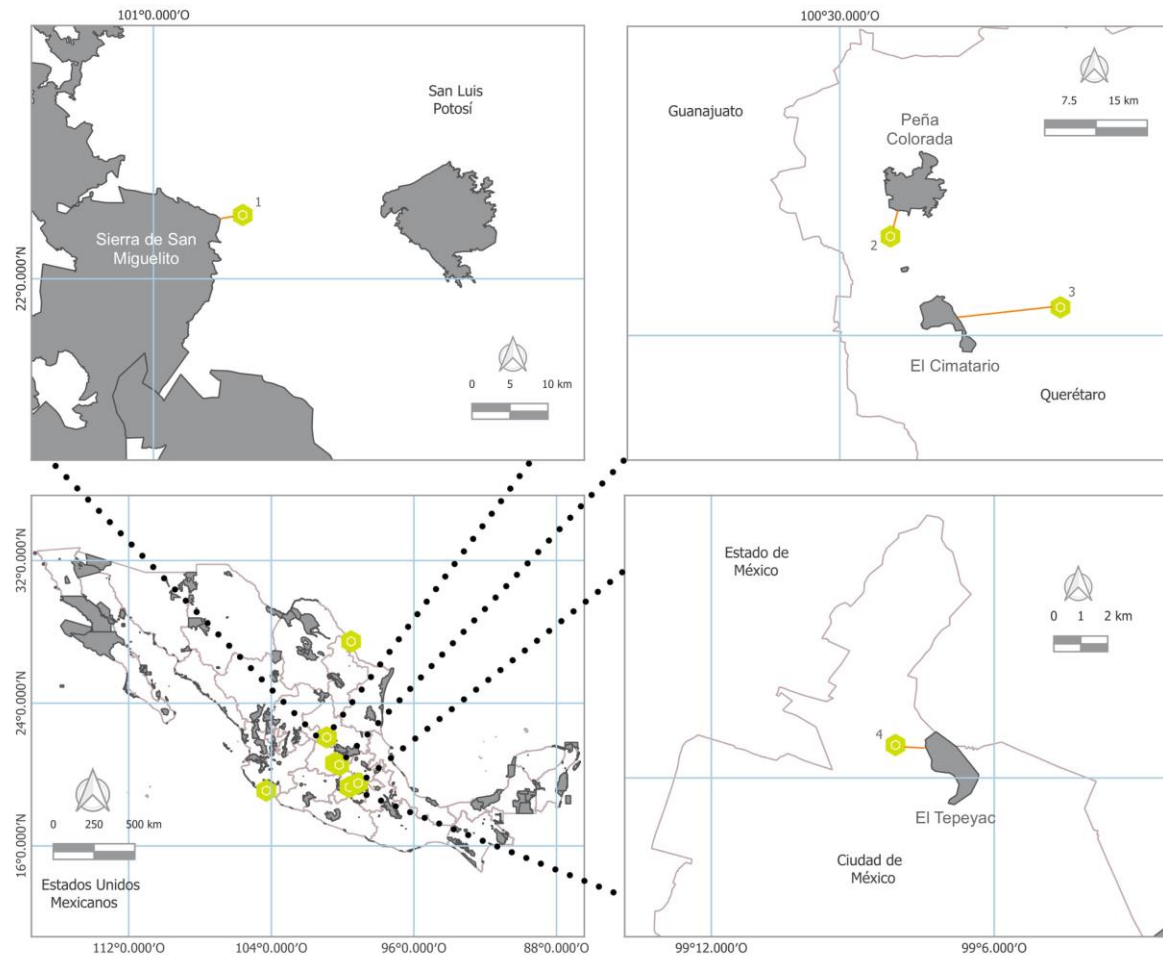


Source: CDI

4.6.3. Interface between material and sensitive locations

Interface #1: Protected Natural Areas <=> Truck terminals

Only 1 of TRAXION's material locations in this segment is within a 2km radius* of a protected natural area, **but it doesn't represent a specific danger to it** (see next slide).



Main truck terminals close to Protected Natural Areas

- 1. Bisonte SLP > 3 km
 - 2. Egoba Seco QRO > 4 km
 - 3. Egoba Refri QRO > 14 km
 - 4. MyM Ticomán < 2 km
- Áreas Naturales Protegidas

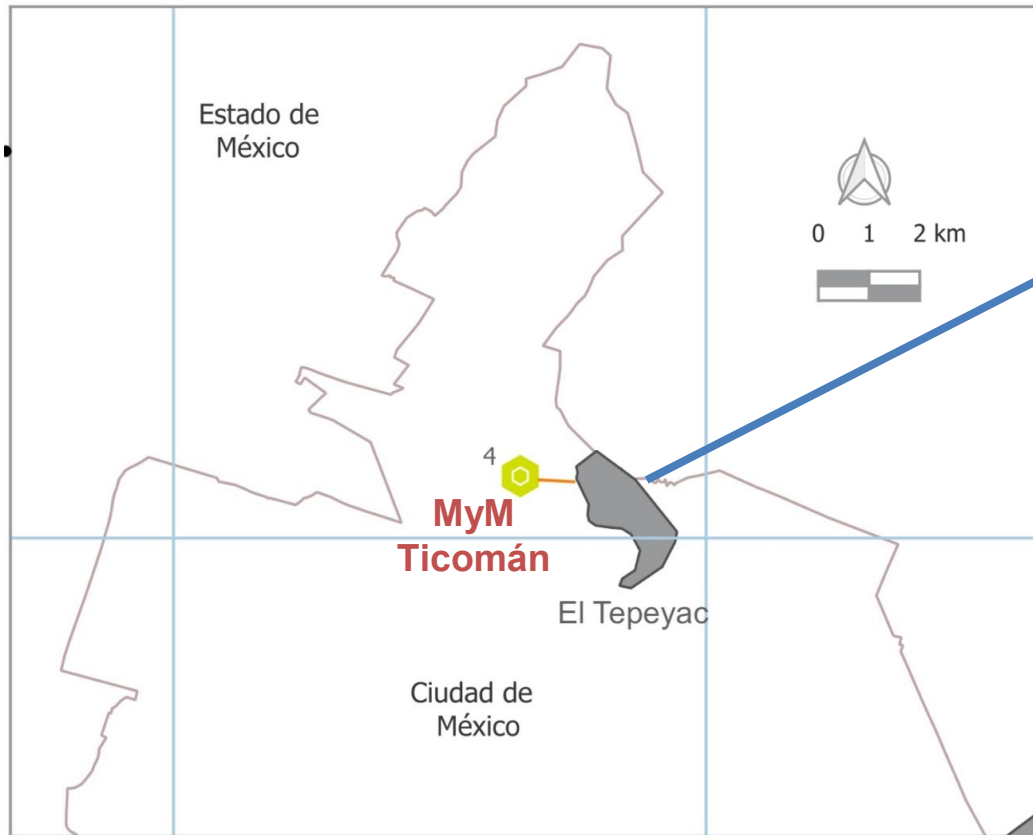
Nota: Se seleccionaron las 10 Patios de Carga de acuerdo con la importancia de las operaciones del Grupo y en los acercamientos las 4 que tienen menos de 20 km de distancia a las ANPs. Las distancias son cálculos aproximados realizados con el software QGIS.

Fuente: ANPs CONABIO, 2024
Elaboración propia, 2024



* Note: the International Union for Conservation of Nature (IUCN) recommends buffer zones of at least 1-2 kilometers around core protected areas to help safeguard biodiversity

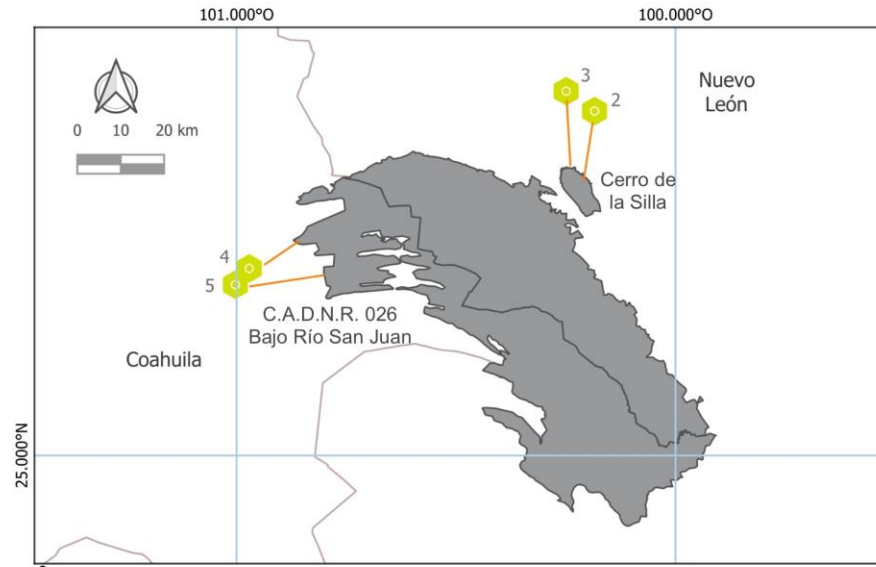
“El Tepeyac” National Park, Mexico City



The Tepeyac National Park is one of the natural areas in the Basin of Mexico with the most inappropriate land uses. It has suffered from illegal human settlements, extraction of stone and wood resources, garbage accumulation, forest fires, and horse treading, which reduces the thin layer of soil. **Despite its relative proximity, our MyM truck terminal operations do not represent a specific danger for this natural area.**

Interface #2: Protected Natural Areas <> Bus Terminals

None of TRAXION's material locations in this segment is within a 2km radius of a protected natural area.



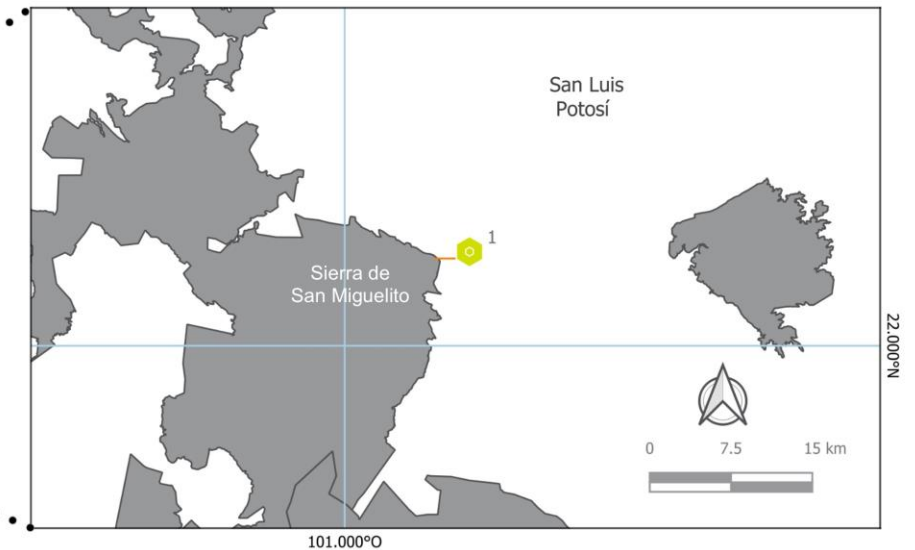
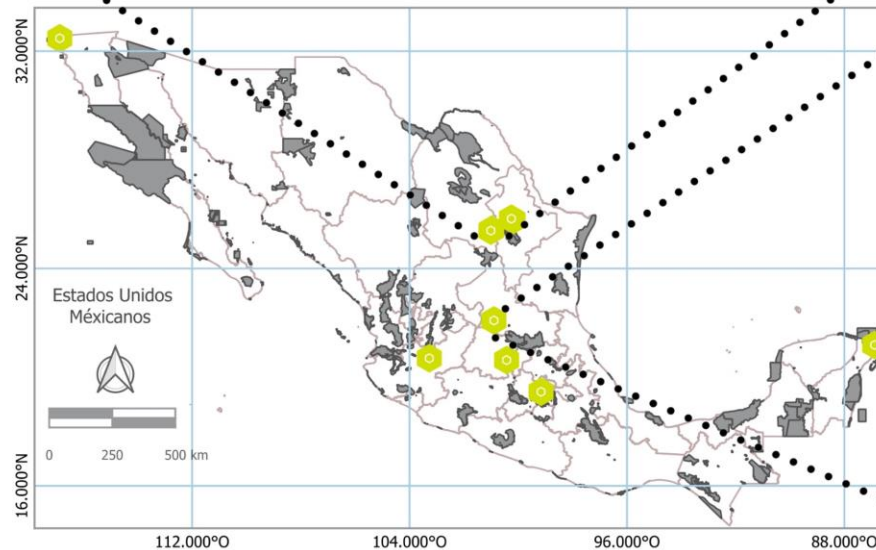
Main bus terminals close to Protected Natural Areas

- 1. UTEP SLP > 2.5 km
 - 2. Settepi MTY > 14 km
 - 3. LIPU MTY > 18 km
 - 4. LiPU Saltillo > 12 km
 - 5. Settepi Saltillo > 20 km

Áreas Naturales Protegidas

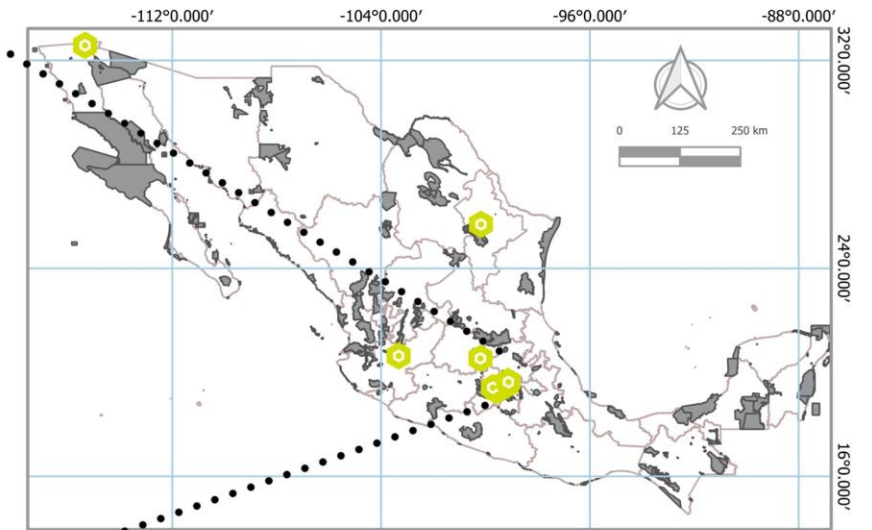
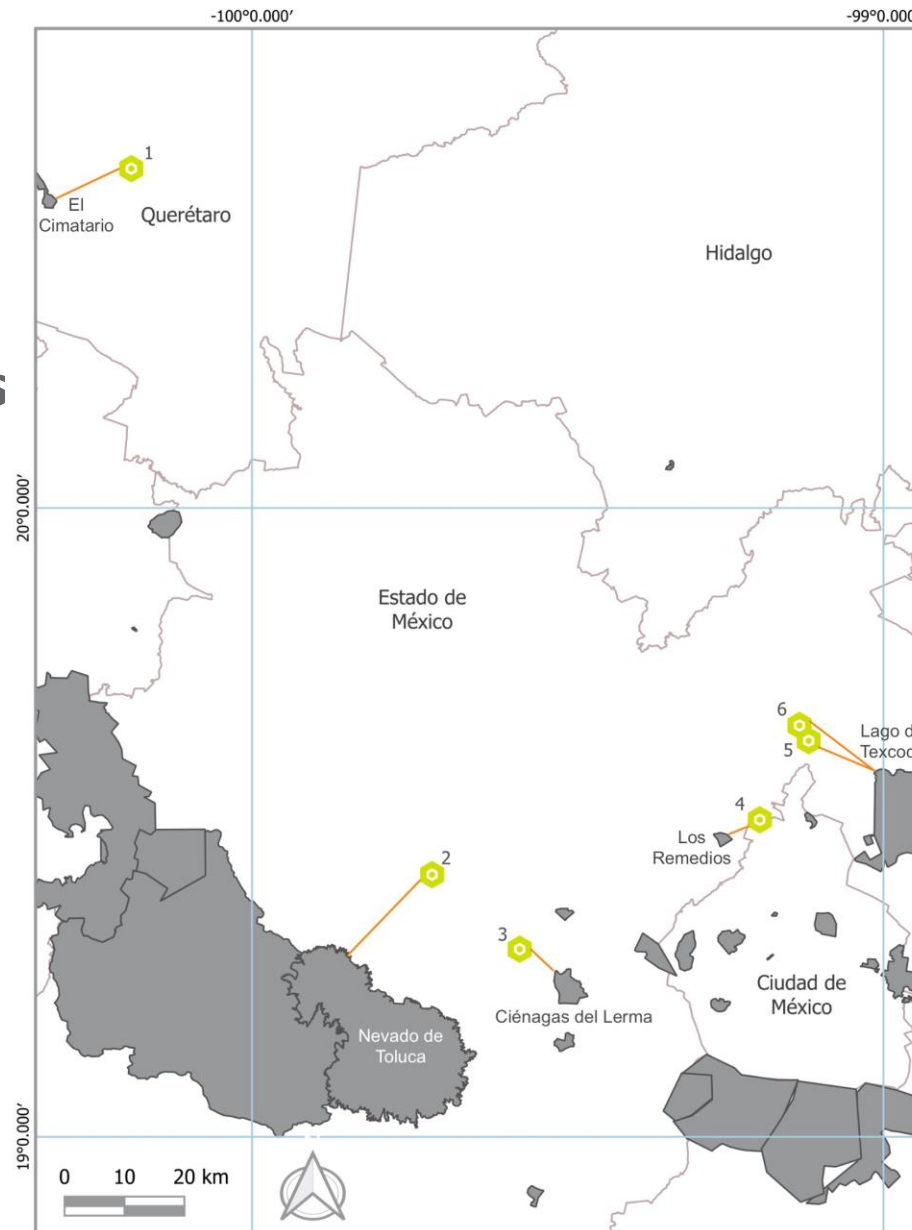
Nota: Se seleccionaron las 10 bases de transporte de acuerdo con la importancia de las operaciones del Grupo y en los acercamientos las 5 que tienen menos de 20 km de distancia a las ANPs. Las distancias son cálculos aproximados realizados con el software QGIS.

Fuente: ANPs CONABIO, 2024
Elaboración propia, 2024



Interface #3: Protected Natural Areas <> Warehouses and Distribution Centers

None of TRAXION's material locations in this segment is within a 2km radius of a protected natural area



Main warehouses and distribution centers close to Protected Natural Areas

Áreas Naturales Protegidas



1. Grupo SID Calamanda

> 2.5 km



2. Grupo SID Toluca

> 20 km



3. Medistik El Coecillo

> 6 km



4. Redpack CDMX

> 5 km



5. Grupo SID Coacalco

> 12 km



6. Grupo SID Tultepec

> 15 km

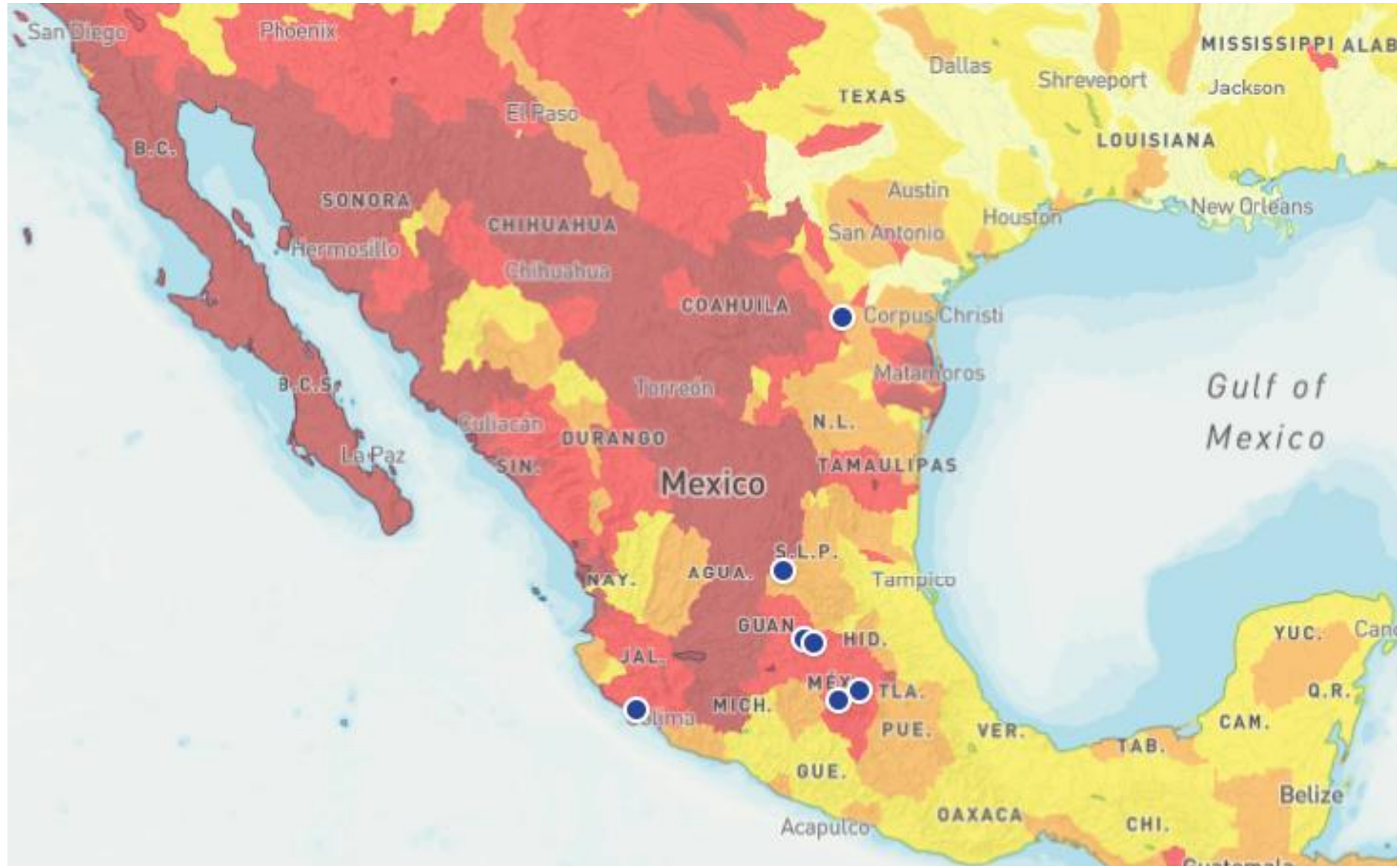
Nota: Se seleccionaron los 10 principales Cedis y almacenes de acuerdo con la importancia de las operaciones del Grupo y en los acercamientos las 6 que tienen menos de 20 km de distancia a las ANPs. Las distancias son cálculos aproximados realizados con el software QGIS.

Fuente: ANPs CONABIO, 2024
Elaboración propia, 2024



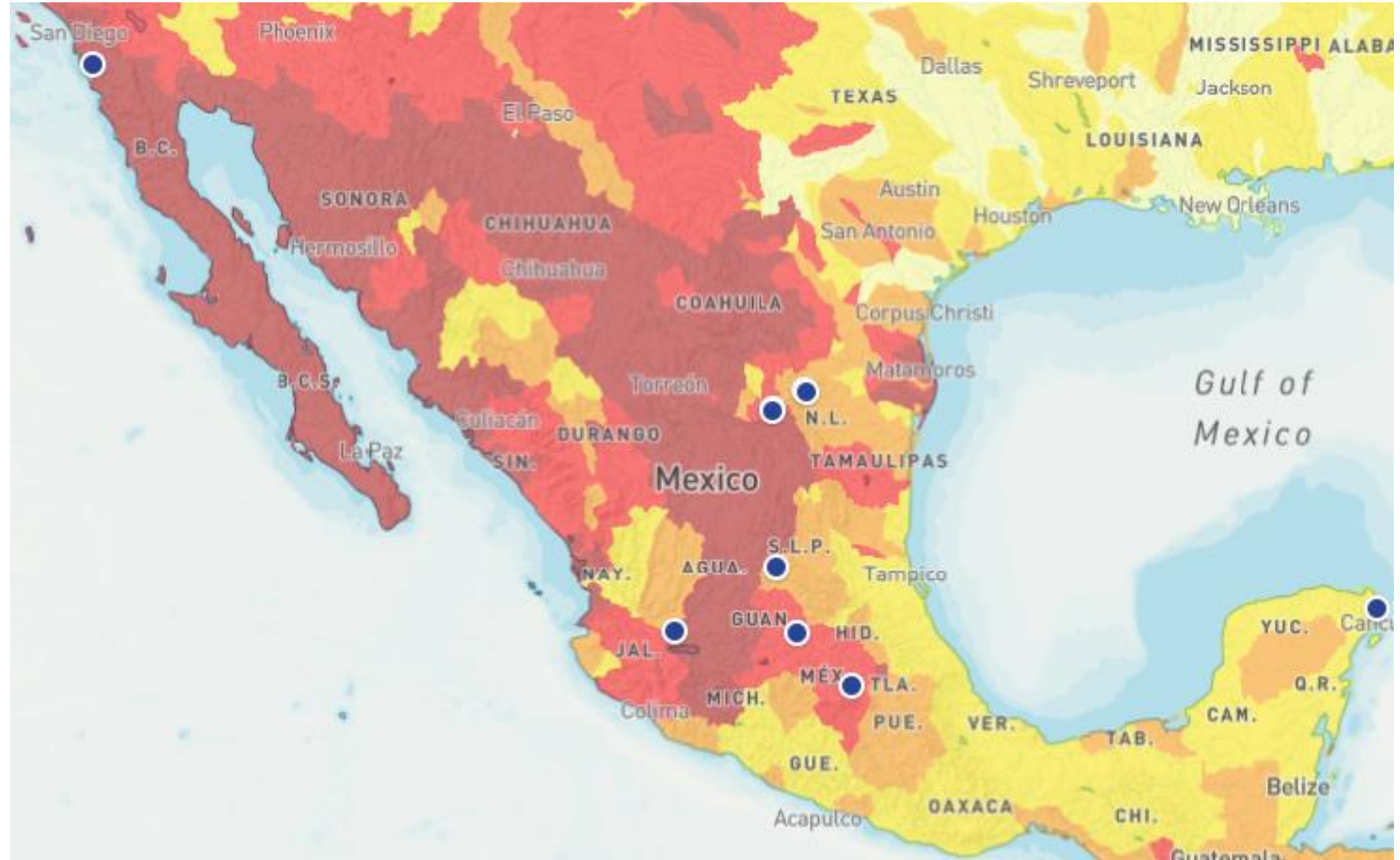
Interface #4: Water Stress Areas <> Truck Terminals

All of TRAXION's material locations in this segment (blue dots) are in "high water stress" areas (red zones)



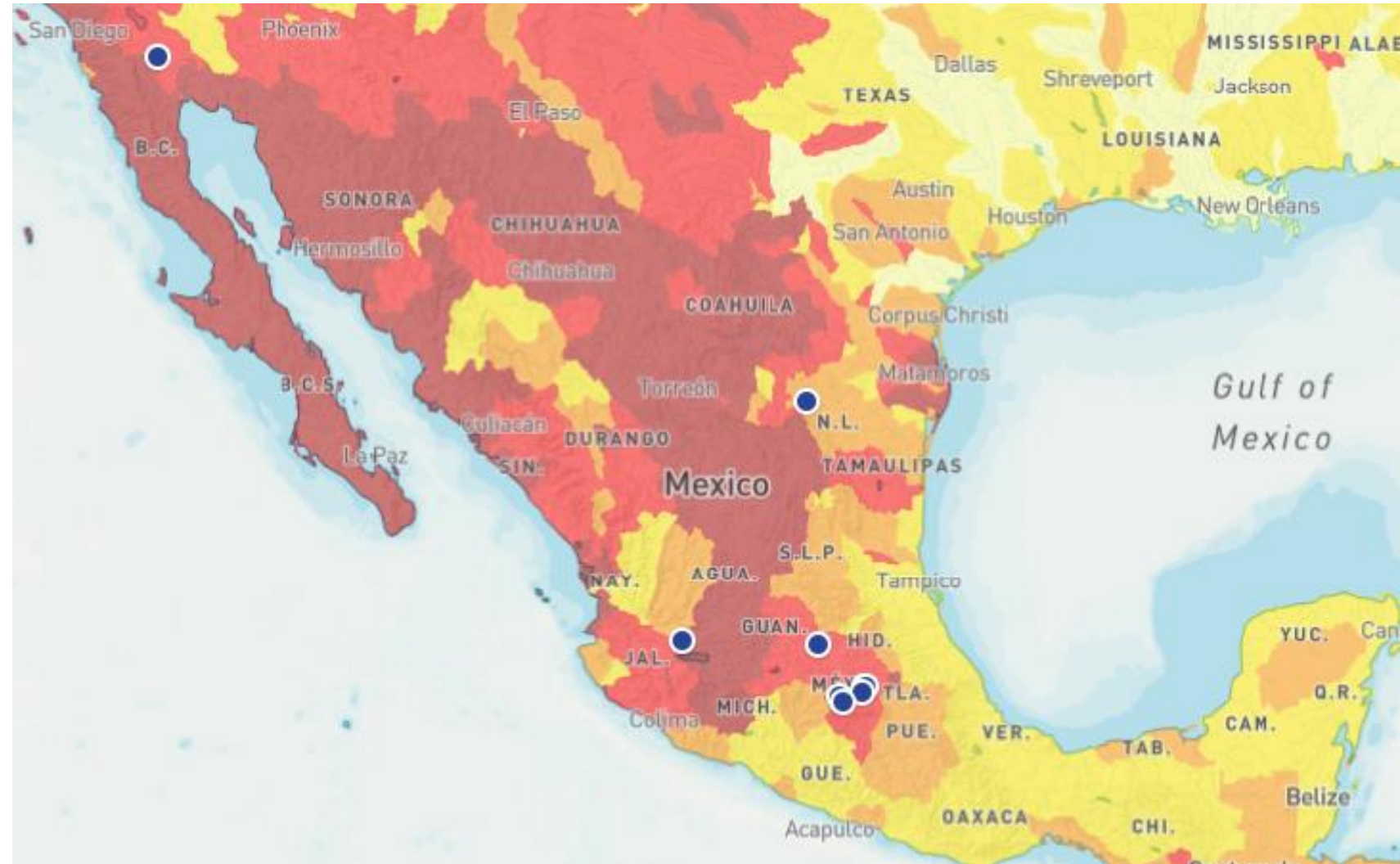
Interface #5: Water Stress Areas <> Bus Terminals

- **3 locations in “extremely high” water stress areas:** Settepi Tijuana, UTEP San Luis Potosí, Lipu Guadalajara.
- **4 locations in “high” water stress areas:** Settepi/Lipu Saltillo, UTEP/Lipu Querétaro, UTEP Valle de México.
- **3 locations in low to “medium-high” areas.**



Interface #6: Water Stress Areas <> Warehouses and Distribution Centers

- **1 location in “extremely high” water stress area:** Grupo SID Mexicali
- **5 locations in “high” water stress areas:** Grupo SID Calamanda and EdoMex, Redpack Mexico City, Medistik Toluca
- 2 locations in “medium-high” areas



5. Risk & Impact management

a) TRAXION's process for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its direct operations

For this report, TRAXION's Sustainability department – using the LEAP methodology, the TNDF guidelines, and the ENCORE tool – was responsible for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities, as described in previous sections.

Going forward, TRAXION will involve its internal and external stakeholders in the process, in particular to conduct a comprehensive double materiality analysis and prioritize action planning.



b) TRAXION's process for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain

Since 2024, TRAXION is starting to evaluate the ESG performance of its suppliers through a **mandatory survey** that includes the following questions related to environmental sustainability:

Does the company have an Environmental policy?
How are collaborators trained regarding the Environmental policy?
Does the company have an Environmental Management System?
Does the company have an Energy Management System?
Which of the following actions best describe the management of ENERGY consumption in your company?
In relation to the care and management of WATER, which of the following actions best describe the management of your company?
In relation to WASTE management, which of the following actions best describe your company's management?
Which of the following aspects describe your company's GHG emissions metrics?
Do you have emissions reduction goals in your company?
Regarding Biodiversity, which of the following actions best describe your company?

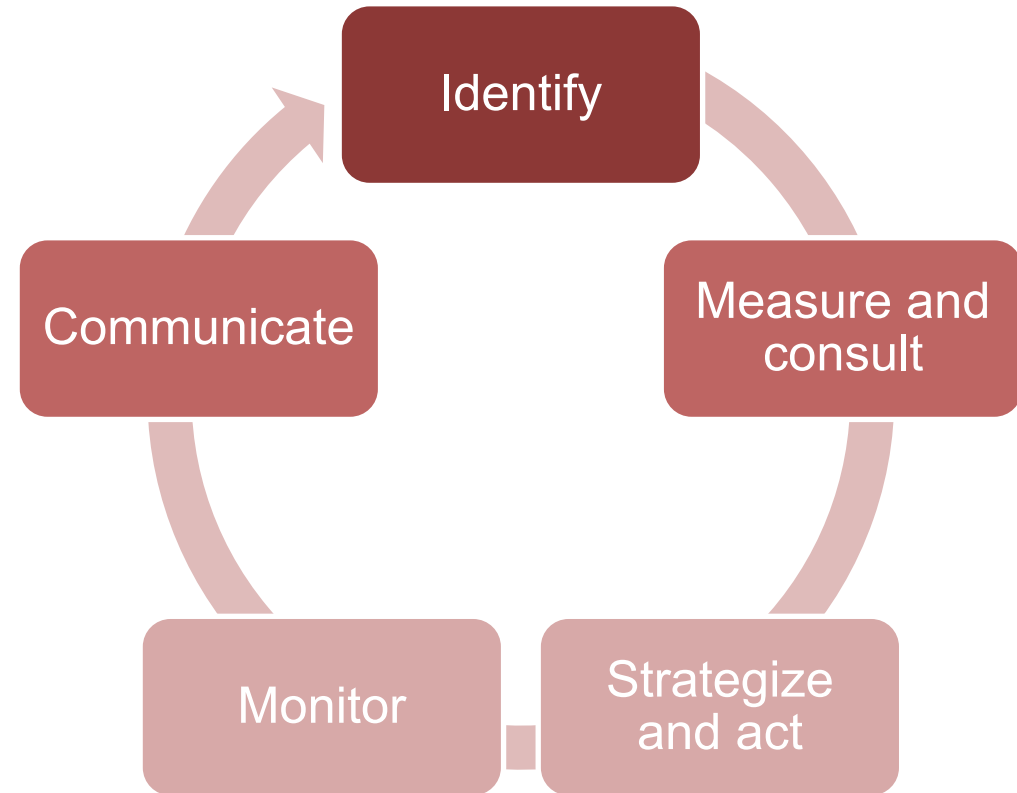
In addition, we systematically request official certificates for the adequate management of hazardous waste from our waste collection providers, and we are strengthening our requirements for FSC certificates from our providers of wood-based packaging material.



c) TRAXION's process for managing nature-related impacts

(focusing on material topics)

Our process for managing impact consists in first identifying potential impacts (this report), then measuring them through specific metrics (and if needed, consult with internal/external stakeholders), after what we will design a strategy with specific action items (and possibly, at some point, targets), **which will be continuously monitored by the Sustainability team** and communicated in a transparent manner, mainly through our annual integrated report.



d) TRAXION's process for managing nature-related risks

(focusing on material topics)

TRAXION follows a risk management process similar to the illustration, with this report representing the first two phases (IDENTIFY and ASSESS). Following these phases, the **Sustainability Department will collaborate with the Corporate Risk area** to further evaluate the risks, define and implement mitigation measures, and integrate these into TRAXION's overall risk management process. Additionally, the teams will monitor and communicate the outcomes.



Source: FORICO (2023). Illustrative Example of Integrated TCFD + TNFD Disclosure

e) TRAXION’s process for managing nature-related risks

For the time being, our risk management measures include:

Type of risk	Sub-category	Risk management measures	
		Actual	Pending
Physical risks	Acute risks	The TCFD reports conducted in 2023 (for the mobility segment) and 2024 (for the logistics segment) both concluded that Traxión has high resilience to acute climate events and the chronic effects of climate change will have very little effect on the Group's activities in the short and medium term, thanks to Traxión's diversity of transportation services, the dispersion of headquarters, yards, service centers, and routes served, combined with an adequate risk strategy that includes insurance of merchandise, property and facilities against climate disasters, as well as business contingency plans.	All business units must have Business Continuity Plans (BCP) to avoid or minimize the effects of an acute climate risk
		Traxión already has processes in place to mitigate that risk.	
	Chronic risks	Same as above (TCFD reports)	All business units must have Business Continuity Plans (BCP) to avoid or minimize the effects of chronic climate risk
Transition risks	Policy	Traxión is already going beyond legal requirements (for instance, with regards to environmental reporting, EURO VI engines, testing of low-emissions technologies) so it will be well positioned to quickly adapt to possible future legislation	Help third parties such as value chain providers, especially in Traxporta, anticipate possible future legal requirements
	Market	Traxión is already taking action to respond to and anticipate customers' and investors' requirements and has competitive advantage on those issues compared with its competitors because of its robust Sustainability Strategy	> Help third parties such as value chain providers, especially in Traxporta, anticipate future market dynamics with regards to nature protection > Set targets and action plans for reducing its climate- and nature-related impacts over time
	Technology	Traxión is already taking action to respond to and anticipate customers' requirements with regards to new technologies with a reduced impact on nature (e.g. biodegradable coolers in Medistik, recycled pallets, biodegradable film, FSC-certified cardboard boxes in Grupo SID, solar panels and low-emissions vehicles across business units) and is about to publish its first policy on sustainable procurement	Engage business units' directors to make it a priority across the organization and scale up current initiatives
	Reputational	Traxión is conducting regular communication campaigns to highlight its environmental actions and strengthen its reputation as a company committed with sustainability	Engage and closely monitor value chain providers to mitigate possible environmental damages and thus avoid any spill-over effect on Traxión

6. Metrics

a) Metrics used by TRAXION to assess and manage **dependencies and impacts** on nature (own operations).

Category	Indicator	Geographical scope	Metric
Dependencies			
Global climate regulation	Rate of global warming	Global	Yearly average surface temperature (compared with pre-industrial levels)
Impact drivers			
Climate change	GHG emissions	National	Scope 1+2 and 3 CO ₂ e emissions
Pollution	Non-GHG air pollutants		Non-GHG air pollutants (tonnes) by type : • Particulate matter (PM2.5 and/or PM10); • Nitrogen oxides (NO2, NO and NO3); • Volatile organic compounds (VOC or NMVOC); • Sulphur oxides (SO2); • Ammonia (NH3)
	Solid waste		Weight of hazardous and non-hazardous waste generated by type (tonnes) and disposed of, split into: • Waste incinerated (with/without energy recovery); • Waste sent to landfill; • Waste reused, recycled or recovered; • Other disposal methods. Waste minimised as a result of technological or process changes (tonnes)
	Noise disturbances in urban areas		Weighted Decibels (dBA)
Resource use	Water use in water-stress areas	Local (material and sensitive locations)	• Volume of groundwater or surface water consumed (m³), including identification of water source • Volume of wastewater treated, reused or recycled (m³)



b) Possible metrics to be used by TRAXION to **assess and manage nature-related opportunities**

Sub-category	Possible metrics
 Resource efficiency	• Circular material use rate (%) • GHG and non-GHG emissions avoided through clean transportation technologies • Savings resulting from resource efficiency initiatives (\$)
 Products and services	• GHG and non-GHG emissions avoided through railroad transportation • Customers transitioning to sustainable fleet and/or material (% and % of revenues) • Customers purchasing emissions' offsetting certificates or equivalent (% and % of revenues)
 Markets	• New customers, revenue and market share gained as a result of nature-related strategy
 Capital flow and financing	• Amount of new financing obtained as a result of nature-related strategy (\$)
 Reputational capital	• Changes in staff perception as a result of nature-related strategy • Changes in external stakeholders' perception as a result of nature-related strategy • New public recognition/prizes obtained as a result of nature-related strategy
 Ecosystem protection, restoration and regeneration	• Volume (ha) of damaged habitats and ecosystems restored through Fundación Traxión • Revenue generated through the sale of recycled/recovered waste by-products (\$)
 Sustainable use of natural resources	• Savings in water and/or electricity costs resulting from water consumption reduction initiatives and/or solar panels installation (\$, as well as kWh and m3)

7. Next steps

7.1. Summary and main takeaways

1. As a complement to its climate change reporting and strategy, **TRAXION is committed** to also disclose and act on its nature-related dependencies, impacts, risks and opportunities. However, as the TNFD guidelines recognize, **it will take time** for any company to trace their full value chains upstream and downstream to the degree required to undertake a full analysis.
2. The **geographical overlap** between our material locations and the country's sensitive locations for biodiversity **is very limited**: out of our 25 most material locations, only 1 is within a 2km radius of a natural protected area, and our operations do not pose a specific danger to it. However, **most of our material locations are in areas with high water stress** (as is 36% of Mexico's territory), so we will carefully monitor our water consumption in these areas.
3. Our dependency to nature is considered low to very low across all categories.
4. Our main potential impacts are on **Climate Change** (GHG emissions) and **Pollution** (non-GHG air pollutants, noise disturbances, and solid waste).
5. Our main risks are **transition risks** related to market dynamics and technology.
6. Our main opportunities lie on **resource efficiency** (clean tech, circularity), **new products and services, changing market dynamics** (e.g., consumer demands), and **sustainable use of natural resources** (water and electricity).



7.2. Next steps

This report is TRAXION's first step towards assessing its nature-related dependencies, impacts, risks and opportunities. Our objective over the coming years is to gradually refine, expand and deepen the scope of analysis through the following actions:

- Undertake a materiality analysis with the **involvement of internal and external stakeholders**, including Indigenous Peoples, Local Communities and affected stakeholders, if and where appropriate.
- Monitor the release of **specific guidance** for the Ground Transportation industry.
- **Complement the mapping exercise** with additional operational locations and missing data from CONABIO and INPI.
- Integrate the results within our operational and risk management processes and **measure the financial effects** of the identified dependencies, impacts, risks and opportunities.
- Report on TNFD's **pending disclosures and integrate climate- and nature-related disclosures** (TCFD + TNFD).
- Engage our **value chain providers** on the importance of nature-related disclosures.
- Engage in **positive/mitigation actions** and possibly set science-based **reduction targets**.

TRAXION

LIFE IN MOTION